Partner Communications Company Ltd.

Periodic Report for 2022

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Chapter A - Description of the Company's Business

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Forward-Looking Information

This Report, which includes a description of the corporation's business as of December 31, 2022, the Company disclosed information about itself and its subsidiaries that is deemed forward-looking information, as such term is defined in the Securities Law. The aforementioned information includes, among other things, expectations, objectives, estimates, and assessments relating to future events or matters that their materialization is uncertain, and are beyond the Company's control. Forward-looking information in this Report is typically identified specifically, or by statements such as 'the Company expects', 'the Company estimates', 'the Company intends', and by similar expressions.

The forward-looking information presented in this Report is not an established fact, but rather reflects the Company's subjective assessment. This assessment was based on various factors, including a review of general information such as public releases, research, and surveys available at the time of preparing the Report. However, the Company did not make any commitment regarding the accuracy or completeness of this information, and did not independently verify its reliability.

Furthermore, the materialization and/or non-materialization of the forward-looking information may be affected by factors that cannot be estimated in advance and are beyond the control of the Company, including risk factors that characterize the Company's activities, as set forth in Section 26 of this Report below, and also by the developments in the overall environment and external factors that affect the Company's operations, as detailed in Section 6of this Report below.

Therefore, although the Company considers its expectations stated in this Report to be reasonable, there is no guarantee that its future results will match these expectations precisely. It is possible that they may differ from the forward-looking information presented in this Report.

In cases where forward-looking information is included, as stated above, this is explicitly indicated.

Part One: The Company's General Development of its Business

For the convenience of the reader, a glossary of terms and key definitions that are not included in the body of the Report are presented in Appendix A of this Chapter.

1. The Company's Activity and Description of the Development of its Business

1.1. General

Partner Communications Company Ltd. is a leading telecommunications company that provides a wide, integrated and personalized range of cellular and fixed-line communication services, including fiber-optic infrastructure services, international calls, internet services, television, and additional services, as well as accompanying equipment. Partner offers its subscribers a range of products and services to meet a wide variety of telecommunications needs, based on advanced technologies and competitive pricing plans. The Company has a significant presence in both the private and the business sectors.

The Company was first incorporated in Israel in 1997. The products and services of the Company were marketed under the "Orange" brand until 2016, when it was replaced with the "Partner" brand.

On February 15, 2023, was the last trading day of the Company's American Depository Shares ("ADSs") on the Nasdaq Stock Market in the United States before they had been voluntarily delisted. On February 16, 2023, the Company submitted to the U.S. Securities and Exchange Commission (SEC) to terminate its reporting obligations to the SEC after meeting the required conditions. Following the Company's delisting of its ADSs from the NASDAQ, the Company transitioned to a reporting method in accordance with the provisions of Chapter 6 of the Securities Law, applicable to reporting corporations in Israel. Prior to this date, the Company filed reports in Israel in accordance with Section 5(3) of the Securities Law, applicable to dual-listed companies. On February 16, 2023, upon submission of the necessary documents to the SEC, the Company's reporting requirements to the SEC were suspended. The specified delisting and termination of the aforementioned reporting requirements is expected to be completed within 90 days from February 16, 2023, insofar as the SEC does not oppose it.

1.2. Control of the Company

On November 12, 2019, the District Court of Tel Aviv the ("**Court**") appointed attorney Ehud Sol (the "**Receiver**") as receiver for 49,862,800 of the Company's shares (the "**Pledged Shares**"). The Pledged Shares had been purchased by Israel Telecom from Advent in 2013; in connection with the purchase, Israel Telecom assumed certain debt owed to Advent, and agreed that such debt would be secured by, among other things, the Pledged Shares. Israel Telecom defaulted on the whole payment, and on November 11, 2019, consented to enforcement and foreclosure proceedings with respect to the Pledged Shares. The Court's decision granted the Receiver substantial rights related to the Pledged Shares, including the right to participate in the Company's shareholders' meetings, to vote the Pledged Shares, to receive dividends, and any contractual right related to the Pledged Shares, although the Receiver could not sell or transfer the Pledged Shares without the Court's

approval. On December 9, 2019, the Ministry of Communications (hereinafter also: "MOC") granted, within its powers, a permit to the Receiver to exercise means of control of the Company by himself.

On April 4, 2022, a transaction was completed for the purchase of the pledged shares, which at the time of completion of the transaction constituted approximately 27% of the issued and paid-up capital of the Company, by Amphissa, in exchange for USD 300 million.

As of the Report date, the general partners in Amphissa are the Israel Lighterage & Supply Co. Ltd., of which half is owned by the chairman of the Company's Board of Directors, Mr. Shlomo Rodav, and the other half is owned by Mr. Roni Gat and his family members and Zela Holdings Ltd., a company fully owned by the Company CEO, Mr. Avi Gabbay. Its limited partners are mostly institutional entities from the Phoenix Group, Clal and Menorah as well as from Arkin (1999) Ltd. and Zela Investments Ltd. (a company owned by the Company's CEO and his family members).

On April 7, 2022, Mr. Shlomo Rodav, Ms. Anat Cohen-Specht, Mr. Doron Steiger, and Mr. Gidi Kadusi were appointed as directors of the Company. On May 17, 2022, Mrs. Osnat Ronan finished her term as the chairwoman of the Company's Board of Directors. On July 28, 2022, Mr. Richard Hunter, Mr. Yehuda Saban, Mr. Yossi Shachak, and Mr. Ori Yaron finished their tenure as directors of the Company. On July 28, 2022, Mr. Shlomo Rodav was appointed as the chairman of the Company's Board of Directors. On June 1, 2022, Mr. Avi Gabbay was appointed as the Company CEO following the end of Mr. Avi Zvi's tenure as the Company CEO.

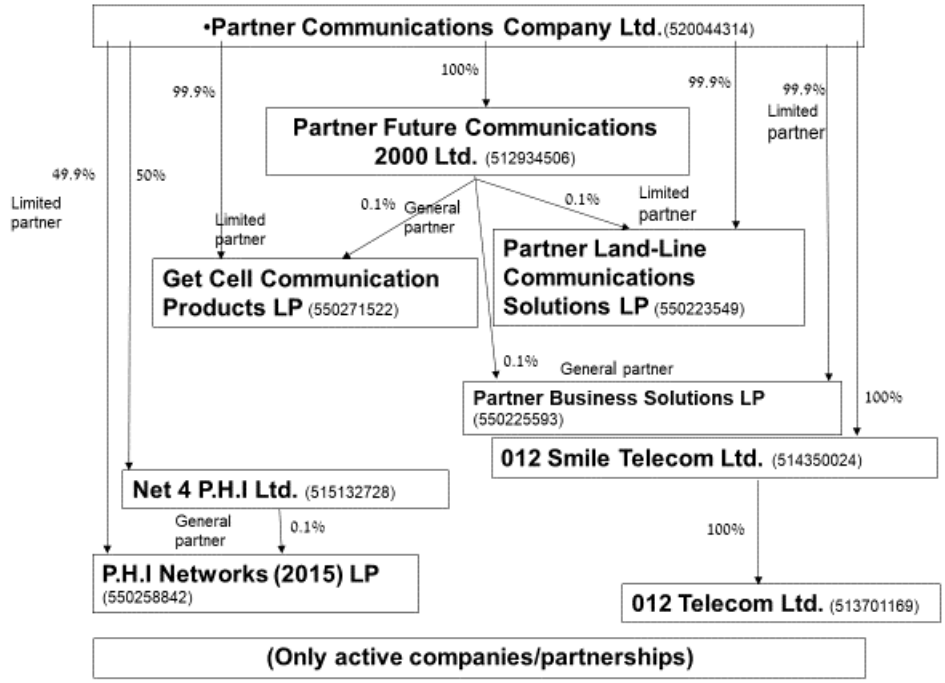
At the Report publication date, the controlling shareholder in the Company is Amphissa, which holds about 26.771% of the Company's issued and paid-up share capital. Approval for the transfer of control and means of control in the Company and approval to be considered as the substitute of a founding shareholder in accordance with the Company's Cellular License, was given in relation to Amphissa by the Minister of Communications on March 29, 2022.

1.3. **The structure of the Company's material holdings**

The Company has wholly owned subsidiaries and partnerships (directly and indirectly): Partner Future Communications 2000 Ltd., Partner Land-Line Communication Solutions - Limited Partnership, Get Cell Communication Products Limited Partnership and 012 Smile. Additionally, 012 Smile is the sole owner of 012 Telecom.

In addition, in November 2013, the Company signed a network sharing agreement with Hot Mobile, which was approved by the Antitrust Authority (as it was then called) in 2014 and by the Ministry of Communications in 2015. According to the Network Sharing Agreement, PHI, a limited partnership was formed by the parties, when Net4PHI Ltd., is a general partner of the aforementioned limited partnership. PHI and Net4PHI Ltd. are equally owned (directly and indirectly) by the Company and Hot Mobile. For further details regarding the agreement with Hot Mobile, see Section 23.5 below.

Below is a diagram of the structure of the Company's material holdings as of the Report date:



1.4. **Structural changes, mergers and material acquisitions**

Contracting with Bezeq to the acquisition of an irrevocable right of use to fiber optic infrastructure lines

On December 21, 2022, the agreement with Bezeq came into effect, regarding the purchase of an irrevocable and nontransferable right of use, IRU, for a fixed period of 15 years in 120 thousand unspecified infrastructure lines in private buildings connected to Bezeq's fiber-optic infrastructure (there is the option to sign up for an additional 48,000 lines under the same conditions). For further details regarding the agreement see Section 23.9 below.

2. **Areas of activity**

As of the Report date, the Company is engaged in two areas of activity that are parallel to the reporting sector's activities, as follows:

2.1. **Cellular communications**

Within the cellular of mobile communication, the Company provides its customers cellular communication services in Israel and related services, including voice calls, text messaging, internet browsing and data transfer-- as well as a variety of value-added service (VAS), handset repair services, services provided to other operators that are permitted to use the Company's cellular network and advanced communication services for collecting and sharing information without human involvement as well, such as M2M and IOT, which enable communication between different end devices. The value-added cellular communications services offered include, among other things, multimedia messages, voice mail, cyber protection, cloud backup, funtones, Myguard, antivirus and various services for business customers.

The Company offer its customers roaming services abroad, which allow a mobile phone subscriber to place and to receive cellular services while in the coverage area of foreign networks owned by operators with whom we have commercial roaming agreements. In addition, the Company sells cellular equipment and devices, as well as related accessories, mainly to retail customers but also to wholesale customers.

As of December 31, 2022, the Company had approximately 2,744 thousands cellular subscribers, which is estimated to be approximately 25% of all current cellular telephone subscribers in Israel. For additional information regarding the method of calculation of the cellular subscribers number, see Section 5.4 below.

For further details regarding the agreement see Section 7 below.

2.2. **Fixed-line Telecommunications Area**

Under the fixed-line area (hereinafter: "Fixed-line Telecommunications Area"), the Company offers its customers a number of services provided over fixed-line networks including (a) Internet services including access to the internet through both the Company's fiber-optic infrastructures or other additional infrastructures owners within the framework of the Wholesale Market, VAS such as cyber protection, anti-virus and anti-spam filtering, and fixed-line voice communication services provided through Voice Over Broadband ("VOB"); (b) Business solutions including IP voice trunks, Network Termination Point Services – under which the Company supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installing equipment and cabling within the customer's place of business or premises, hosting services, transmission services, Primary Rate Interface ("PRI") business services and other fixed-line communications solution services; (c) International Long Distance services: outgoing and incoming international telephony, hubbing, calls concentrating, roaming and signaling and calling card services; (d) Partner TV - television services over the Internet (OTT); and (e) transmission services to international communication operators: connections and data transfer services provided to international telecommunications operators over the fiber-optic infrastructure. In addition, this area of activity includes sales and leasing of electronic and end-user equipment, including cell phones, tablets, laptops, modems, data cards, routers, servers and related peripheral equipment, as well as equipment for integration projects.

In addition, the Company has entered into agreements with telecommunications operators and business entities for the sale of IRU and lease of certain fiber-optic in the Company's fiber-optic infrastructure ("dark fibers"), as well as maintenance and operation services with respect to such dark fibers. As part of these agreements, the Company has committed to maintaining and operating the fiber optics.

For more details about the area of activity, see Section8 below.

3. Investments in the Company's equity and transactions in its shares during 2021, 2022 and 2023 (until the Report publication date)

As stated in Section 1.2 above, on April 4, 2022, a transaction for the acquisition of the Pledged Shares was completed in exchange for USD 300 million The aforementioned shares were owned by Israel Telecom were held by a receiver and sold to Amphissa.

For details regarding unregistered warrants and restricted shares units allocated to employees in accordance with the Company's equity-settled share-based compensation plan and exercises thereof, see Note 20 of the Financial Statements for December 31, 2022.

4. **Dividend Distribution**

4.1. In the years 2021, 2022 and 2023 (up to the Report publication date), the Company did not distribute dividends to its shareholders.

The Company has distributable profits (as defined in Section 302 of the Companies Law) in the amount of approx. NIS 15 million, due to the profits earned in the law two years.

The Company has retained earnings of approx. NIS 665 million, which includes share-based compensation totaling approximately 255 million NIS that was allocated to surpluses. In addition, the Company repurchased in previous periods amounts totaling approximately 451 million NIS.

4.2. The Company's articles of association allow the Company's Board of Directors to approve a future dividend distribution without the General Meeting's approval and subject to the Company's compliance with the provisions of the law. As of this date, the Company has not adopted a dividend distribution policy.

For details regarding the Company's obligations towards banking corporations and the Company's bondholders to comply with financial standards and distribution restrictions that may affect the Company's ability to distribute dividends in the future, see Sections 19.2 and19.3 below.

Part Two: Other Information

5. **Financial information regarding the Company's areas of activity**

5.1. Hereunder financial information with respect to the Company, according to area of activity for the year ended December 31, 2022 (NIS millions):

	Cellular communications area	Fixed-line communications area	Adjustments to consolidated*	Consolidated
Sales revenues from outside factors	2,349	1,114	-	3,463
Revenues from other activity areas	13	112	(125)	-
Total revenues	2,362	1,226	(125)	3,463
Costs not attributed to revenues of another activity area	(1,964)	(1,505)	-	(3,469)
Costs constituting revenues of another activity area	(112)	(13)	125	-
Total costs	(2,076)	(1,518)	125	(3,469)
Variable costs**	(1,427)	(629)	-	-
Fixed costs**	(649)	(889)	-	-
Total costs	(2,076)	(1,518)	125	(3,469)
Profit (loss) from operation	286	(292)	-	(6)
Adjusted EBITDA***	695	362	-	1,057
Total assets	2,084	2,062	821****	4,967
Total assets	597	403	2,185****	3,185

* Adjustments to consolidated derive from transaction between the different activity areas.

** The Company does not run a dedicated costing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this Report only, as carriable costs are costs that the Company has control over in the short term (up to a year) and affect the output directly, and fixed costs in comparison are not flexible in the short term and do not affect the output directly.

*** 'Adjusted EBITDA' represents Earnings Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use, and impairment/ revaluation charges) Share-based compensation for employees and capital gain/loss. EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA is not indicative of the Group's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted EBITDA' is meant to emphasize the fact that amortization includes the amortization of deferred expenses - right-of-use and impairment/ revaluation, share-based compensation expenses for employees and capital gain/loss.

**** Including balances that are not allocated between the segments.

5.2. For the year ended December 31, 2021, the following financial information related to the Company, broken down by area of activity, is presented below (in NIS millions):

	Cellular communications area	Fixed-line communications area	Adjustments to consolidated*	Consolidated
Sales revenues from outside factors	2,289	1,074	-	3,363
Revenues from other activity areas	12	118	(130)	
Total revenues	2,301	1,192	(130)	3,363
Costs not attributed to revenues of another activity area	(1,987)	(1,213)	-	(3,200)
Costs constituting revenues of another activity area	(117)	(13)	130	-
Total costs	(2,104)	(1,226)	130	(3,200)
Variable costs**	(1,446)	(622)	-	-
Fixed costs**	(658)	(604)	-	-
Total costs	(2,104)	(1,226)	130	(3,200)
Profit (loss) from operation	197	(34)	-	163

	Cellular communications area	Fixed-line communications area	Adjustments to consolidated*	Consolidated
Adjusted EBITDA***	616	306	-	922
Total assets	2,223	2,204	966****	5,393
Total assets	730	358	2,446****	3,534

* Adjustments to consolidated derive from transaction between the different activity areas.

** The Company does not run a dedicated costing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this Report only, as variable costs are costs that the Company has control over in the short term (up to a year) and affect the output directly, and fixed costs in comparison are not flexible in the short term and do not affect the output directly.

*** 'Adjusted EBITDA' is calculated by Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use, and impairment/revaluation charges), employee share-based compensation expenses and capital profit/loss. EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA is not indicative of the Group's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted EBITDA' is meant to emphasize the fact that amortization includes the amortization of deferred expenses - right-of-use and impairment/revaluation, share-based compensation expenses for employees and capital gain/loss.

**** Including balances that are not allocated between the segments.

5.3. For the year ended December 31, 2020, the following financial information related to the Company, broken down by area of activity, is presented below (in NIS millions):

	Cellular communications area	Fixed-line communications area	Adjustments to consolidated*	Consolidated
Sales revenues from outside factors	2,192	997	-	3,189
Revenues from other activity areas	16	132	(148)	
Total revenues	2,208	1,129	(148)	3,189
Costs not attributed to revenues of another activity area	(2,004)	(1,089)	-	(3,093)
Costs constituting revenues of another activity area	(131)	(17)	148	-
Total costs	(2,135)	(1,106)	148	(3,093)
Variable costs**	(1,439)	(622)	-	-
Fixed costs**	(696)	(484)	-	-
Total costs	(2,135)	(1,106)	148	(3,093)
Profit (loss) from operation	73	23	-	96
Adjusted EBITDA***	533	289	-	822
Total assets	2,324	1,804	997****	5,125
Total assets	933	172	2,297****	3,402

* Adjustments to consolidated derive from transaction between the different activity areas.

** The Company does not run a dedicated costing system that distinguishes between fixed and variable costs. The above division was made for the purposes of this Report only, as variable costs are costs that the Company has control over in the short term (up to a year) and affect the output directly, and fixed costs in comparison are not flexible in the short term and do not affect the output directly.

*** 'Adjusted EBITDA' is calculated by Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use, and impairment/revaluation charges), employee share-based compensation expenses and capital gain/loss. EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA is not indicative of the Group's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted EBITDA' is meant to emphasize the fact that amortization includes the amortization of deferred expenses - right-of-use and impairment/revaluation, share-based compensation expenses for employees and capital gain/loss.

**** Including balances that are not allocated between the segments.

For the Board of Directors' explanations regarding the Company's financial information appearing in the Financial Statements, see the Board of Directors' Report attached in Chapter B of this Report.

5.4. Main results and operational data in quarterly division (in NIS millions):

Financial data (million NIS)	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	2021	2022
Revenue from services cellular segment	413	420	435	431	443	457	474	444	1,699	1,818
Revenue from equipment and other cellular segment	160	157	136	149	142	135	133	134	602	544
Revenue from services fixed-line segment	260	262	270	274	280	279	285	292	1,066	1,136
Revenue from equipment and other fixed-line segment	34	34	29	29	22	18	30	20	126	90
Consolidation adjustments	(34)	(33)	(33)	(30)	(33)	(30)	(31)	(31)	(130)	(125)
Total revenues	833	840	837	853	854	859	891	859	3.363	3,463
Gross profit from end-user and other equipment	42	39	37	34	33	28	33	31	152	125
Operating profit (loss)	28	30	49	56	72	85	84	(247)	163	(6)
Adjusted EBITDA cellular segment (1)	143	139	172	162	172	187	179	157	616	695
Adjusted EBITDA fixed-line (1)	66	74	78	88	85	89	97	91	306	362
Total adjusted EBITDA (1)	209	213	250	250	257	276	276	248	922	1,057

Profitability rate adjusted EBITDA (1)(%)	**25%**	**25%**	**30%**	**29%**	**30%**	**32%**	**31%**	**29%**	**27%**	**30%**
OPEX (2) (Total operating expenses)	**481**	**485**	**467**	**469**	**476**	**469**	**495**	**500**	**1,901**	**1,940**
Financing expenses, net	**19**	**16**	**15**	**14**	**18**	**21**	**15**	**11**	**64**	**65**
Net profit (loss)	**5**	**9**	**24**	**77**	**39**	**47**	**51**	**(237)**	**115**	**100**
Capital expenditures tangible and intangible assets	**149**	**139**	**172**	**212**	**170**	**174**	**205**	**98**	**672**	**647**
Balance sheet expenditures tangible and intangible assets	**142**	**182**	**112**	**244**	**166**	**174**	**161**	**164**	**680**	**665**
Adjusted free cash flow (3)	**18**	**8**	**9**	**(81)**	**25**	**55**	**37**	**20**	**(46)**	**137**
Adjusted free cash flow (3) (after interest)	**17**	**(33)**	**8**	**(86)**	**24**	**12**	**37**	**17**	**(94)**	**90**
Net financial debt (4)	**639**	**670**	**662**	**744**	**720**	**706**	**667**	**647**	**744**	**647**
Operational data:	**Q1'21**	**Q2'21**	**Q3'21**	**Q4'21**	**Q1'22**	**Q2'22**	**Q3'22**	**Q4'22**	**2021**	**2022**
Cellular Subscribers (end of period, thousands) (5)	**2,903**	**2,970**	**3,019**	**3,023**	**3,063**	**3,095**	**3,042**	**2,744**	**3,023**	**2,744**
Cellular Post-paid Subscribers (end of period, thousands) (5)	**2,548**	**2,615**	**2,664**	**2,671**	**2,708**	**2,733**	**2,679**	**2,492**	**2,671**	**2,492**
Pre-paid cellular Subscribers (end of period, thousands) (5)	**355**	**355**	**355**	**352**	**355**	**362**	**363**	**252**	**352**	**252**
Average monthly revenue per cellular subscriber (ARPU) (NIS) (6)	**48**	**48**	**48**	**48**	**48**	**49**	**51**	**54**	**48**	**51**
Average monthly revenue per cellular subscriber in NIS (ARPU) not	**35**	**35**	**36**	**36**	**35**	**37**	**39**	**42**	**36**	**39**
Churn rate for cellular Subscribers(8)	**6.8%**	**7.2%**	**6.4%**	**7.9%**	**7.0%**	**6.7%**	**8.9%**	**10.5%**	**28%**	**33%**
Internet area subscribers (end of period, thousands) (9)	**339**	**354**	**365**	**374**	**387**	**395**	**403**	**415**	**374**	**415**
Average Maximum Package Speed for a Fiber Subscription (Mbps)				**563**	**571**	**582**	**588**	**589**	**563**	**589**
Homes Connected (HC) to Partner's fiber infrastructure	**514**	**571**	**624**	**700**	**770**	**837**	**900**	**955**	**700**	**955**
Fiber-optic subscribers (end of period, thousands) (10)	**155**	**173**	**192**	**212**	**234**	**252**	**271**	**287**	**212**	**287**
TV subscribers (end of period, thousands) (11)	**234**	**223**	**226**	**226**	**225**	**224**	**222**	**220**	**226**	**220**

(1)'Adjusted EBITDA' is calculated by Before Interest (finance costs, net), Taxes, Depreciation and Amortization (including amortization of intangible assets, deferred expenses-right of use, and impairment and revaluation charges), employee share-based compensation expenses and capital profit/loss. EBITDA is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies. Adjusted EBITDA is not indicative of the Group's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted EBITDA' is meant to emphasize the fact that amortization includes the amortization of deferred expenses - right-of-use and impairment and revaluation, share-based compensation expenses for employees and capital gain/loss.

(2) 'OPEX' is calculated as the sum of the procurement cost of services and operating expenses (sales and marketing expenses, management and general expenses and credit losses) net of depreciation and amortization expenses and employee share-based compensation expenses and capital profit/loss; OPEX is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

(3) 'Adjusted free cash flow' is calculated as the cash flows from current operations, minus cash flows for the purchase of property, plant, and equipment, intangible assets, and other items (including grants), minus lease payments; Adjusted free cash flow is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

(4) 'Net financial debt' is calculated as the total financial debt minus cash and cash equivalents and short-term deposits; net financial debt is not a financial measure under IFRS and may not be comparable to other similarly titled measures for other companies.

(5) Beginning in the fourth quarter of 2022, the company changed its subscription counting logic as follows: (1) approximately 189,000 subscribers were removed from the Company's post-paid cellular subscriber list, mainly due to a subscription counting method change that led to the removal of M2M subscribers (SIM cards designated for use in machines) from the list, along with the removal of several tens of thousands of regular post-paid subscribers; (2) pre-paid subscribers counting was changed so that a pre-paid subscriber that does not generate revenue for the Company (excluding incoming calls to voicemail) for a period of three months is removed from the count (instead of six months), which led to a reduction of approximately 94,000 pre-paid subscribers in the fourth quarter of 2022. (5) Accordingly, subscribers include customers of both post-paid and pre-paid services under the Partner and 012 Mobile brands, and also include subscribers to dedicated data packages (excluding M2M subscribers). A pre-paid subscriber is recognized as such only once they have generated revenues in the amount of at least one NIS (excluding VAT). The subscribers who are removed from the count include subscribers which are disconnected from the service for any reason, post-paid subscribers that did not generate revenue for the Company for a period of six months (excluding incoming calls to voicemail), and pre-paid subscribers that did not generate revenue for the Company for a period of three months (see above).

ARPU is calculated as (i) dividing, for each month in the relevant period, the total cellular segment service revenues during the month by the average number of the cellular subscribers during that month, and (ii) dividing the sum of all such results by the number of months in the relevant period. A policy change in the subscriber list in the fourth quarter of 2022 caused an increase of NIS 5 in the ARPU of the fourth quarter of 2022 and of a NIS 2 in the ARPU of 2022.

(7) ARPU is presented when neutralizing interconnectivity tariffs due the change in the policy of interconnectivity tariffs reform, that will be gradually implemented from June 2023 to June 2025, which is expected to significantly decrease revenues from cellular services and consequently lower ARPU.

(8) Churn rate is calculated as the division of the number of subscribers in the period that were disconnected from the service for any reason and subscribers who did not generate income for the Company for a period of six months by the average subscribers number in the same period.

(9) The number of internet subscribers includes active subscribers to an end-to-end service including infrastructure access and access to the internet together. Access to the internet is provided (either through Partner's or another fiber infrastructure network) or through Partner's connection to the Wholesale Market on Bezeq and HOT's infrastructures.

(10) The fiber subscriber number includes active subscribers to Partner's fiber service, either on Partner's or on another fiber infrastructure. At the time of Report publication, the Company had 312,000 fiber-optic subscribers, of which 287,000 were on the Company's fiber infrastructure and 25,000 were on Bezeq's fiber infrastructure

(11) The TV subscribers number include active subscriptions to Partner TV, each of which may have a number of users over a number of different platforms. TV subscribers include subscriptions within time-limited free of charge trial periods. In the second quarter of 2021, the Company removed from its TV subscriber base approximately 21,000 subscribers who had remained in trial periods of over six months without charge or usage.

6. General environment and the effect of external factors on the Company's activity

Below are factors of the macro-economic environment, the characteristics of the telecommunications industry and the unique characteristics of the Company, that affect or may affect the Company's activity:

6.1. Regulation and dependency on licenses

The company's operations in Israel are primarily governed by the Telecommunications Law and the regulations promulgated thereunder, Telegraph Ordinance and regulations granted by the Ministry of Communications, and the licenses granted by the Ministry of Communications. These licenses, which include the Cellular License, were renewed in November 2021 for a ten-year period that extends until February 1, 2032. The Ministry of Communications issues the licenses which grant the right to establish and operate mobile telephone and other telecommunication services in Israel, and sets the terms by which such services are provided. The regulatory framework under which the Company operates consists, among other things, of the Companies Law, the Securities Law, the Planning and Building Law, the Consumer Protection Law, the Privacy Protection Law, the Non-Ionizing Radiation Law, competition law and in particular the Economic Competition Law, the Class Actions Law, and the Concentration Law.

The Telecommunications Law prohibits providing public telecommunications services without a license issued by the Ministry of Communications or a registration in registry in the virtue of Section 4A1 of the Telecommunications Law.

General licenses, which relate to telecommunications activities over a public network or for the granting of nationwide services or international telecommunications services, have been awarded to the Company, the Bezeq Group, the HOT Group, Cellcom and other cellular and international operators. In addition, the Ministry of Communications previously granted virtual cellular network operator licenses, which make use of the existing communication infrastructures of the cellular operators, without the need for their own radio infrastructure (MVNO), to several companies. During 2015 and 2016, the Ministry of Communications

substituted almost all of the MVNO licenses and all general licenses for ILD services and unique-general licenses for fixed line services, with a single type of general unified license which governs all the services which were included in these licenses.

The Ministry of Communications has the authority to amend the terms of any license, including in defiance of the Licensee's position. The grounds which should be considered by the Ministry of Communications in connection with such an amendment are government telecommunications policy, public interest, the suitability of the licensee to perform the relevant services, the promotion of competition in the telecommunications market, the level of service and changes in technology, etc. The Ministry of Communications may also make the award of certain benefits, conditional upon the licensee's consent to a license amendment. The Ministry of Communications also has the authority to revoke, limit or suspend a license when the licensee is in breach of a fundamental condition of the license, when the licensee is not granting services under the license or is not granting services at the appropriate grade of service or when the licensee has been declared bankrupt or an order of liquidation has been issued with respect to the licensee.

The Ministry of Communications is authorized to impose significant monetary sanctions on a license holder that breaches a provision of the Telecommunications Law or of its license.

On October 2, 2022, General Permit Regulations was published in the records. Under the General Permit Regulations, the manner of registration in the registry and the conditions of the General Permit Document that will apply to basic services providers registered in the registry were regulated. For further details regarding the General Permit Regulations and their effect on the Company, see Section 22.1 below.

For further details regarding the limitations on and supervision of the Company's activities, including the licenses granted to the Company, see Section 22 below.

6.2. **Regulatory Developments**

6.2.1. Decision regarding the shutdown of 2G and 3G networks

In June 2021, the Ministry of Communications published its decision regarding the framework for the shutdown of 2G and 3G networks (hereinafter: the "**Old Technologies**").

The decision has set the following rules, among other things: (a) the termination of Old Technologies services on December 31, 2025 (or on an earlier date, at the Company's request, subject to certain conditions); (b) a ban on the import of cellular devices that support the Old Technologies as of January 1, 2022; (c) prohibition of connecting an existing subscriber or a new subscriber with equipment operating on the Old Technologies as of January 1, 2023 (except for security forces equipment).

As part of its decision regarding the shutdown of the Old Technologies networks, the Minister decided that the allotment of frequencies previously used by the Company for the Old Technologies (in the 900, 1800 and 2100 Mhz bands) shall be extended until December 31, 2030, to facilitate the

Company's investment in more advanced technologies (4G and 5G) that can operate within these frequencies.

In January 2023, the Minister of Communications published his decision to postpone the effective date of the prohibition on connecting old equipment to Cellular networks operating within old technologies until January 1, 2023. This decision updated the previous decision from June 2021. Additionally, the Minister added a notification requirement for movants or subscribers who own old equipment and wish to join Cellular services, given that the deadline for discontinuing the old technologies is December 31, 2025.

6.2.2. Approval of the Bezeq – Yes merger

In April 2021, the Competition Commissioner amended the terms of the merger agreement between Bezeq and its subsidiary Yes, which was signed in March 2014. The decision came after a draft amendment was published for public comments. The objective was to enable Bezeq's subsidiaries (Pelephone, Yes, and Bezeq International) to sell telecommunication packages containing internet infrastructure, internet service provider (ISP), and television services without being required to provide television services at a uniform separate price for both single and multiple package buyers. These changes may allow Bezeq's subsidiaries to better wrap and market their services with the services provided by Bezeq. As to exclusivity arrangements, the Commissioner decided to amend the terms of its merger approval so that Bezeq and yes would be allowed greater flexibility in purchasing foreign content (excluding Sports content, to which the ban on exclusivity will remain in force).

Under certain conditions, the aforementioned amendments in relation to the exclusive purchase of foreign content and the marketing of telecommunications prepackages by Bezeq Group's subsidiaries might have a material impact on the Company's results.

The Company's estimates regarding how the amendments to the merger terms of Bezeq and its subsidiaries may impact the marketing of telecommunication packages and the acquisition of exclusive foreign content constitute forward-looking information, within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

6.2.3. The bill draft of the Principles of Regulation of the Provision of Audio-Visual Content to the Public

In September 2020, the Minister of Communications appointed a committee assigned with re-examining the overall regulatory policy applicable to the broadcasting market in Israel (hereinafter: the "**Folkman Committee**").

The Folkman Committee's recommendations have been adopted by the Minister of Communications and in August 2022, the Ministry of Communications published a hearing for public reference regarding the bill draft of the Principles of Regulation of the Provision of Audio-Visual Content to the Public, 2022. According to the hearing and the explanatory notes of the bill, the bill is intended to amend the legislation based on the recommendations of the Folkman Committee and to update the set of obligations and rights applicable to all players operating in the audio-visual content market in several ways, including a proposal that audio-visual content providers broadcasting over the Internet will be subject to the obligation to invest in original productions (and further regulation) in a phased manner, according to the extent of their annual revenues from content provision. A content provider with intermediate scope of activity (whose annual revenues from content provisions ranges between NIS 300 million and NIS 600 million) shall be required to invest 4% of these revenues in original productions. A content provider with big scope of activity (whose annual revenues from content provisions are over NIS 600 million) shall be required to invest 6.5% of these revenues in original productions. As of the Report publication date, the Company is neither deemed "a content provider with intermediate scope of activity" nor "a content provider with big scope of activity" as mentioned above.

On January 31, 2023, the Company submitted its position statement for the hearing, which primarily entailed objections to the proposal to mandate the Company to invest in original productions. Since this is a hearing and there is no certainty as to whether the bill will mature into binding legislation and what its content and regulations will be, it is difficult at this stage to assess the extent of the bill's impact (if indeed will be passed) on the Company's business. For further details regarding the Folkman Committee, see section **Error! Reference source not found.** below.

6.2.4. Decision regarding a reform in the structure of the Internet market

In the recent years, the Internet market in Israel is divided into two segments of services: infrastructure and ISP services. This division is intended to allow new competitors to enter the market, who provide services on the infrastructures owned by Bezeq and Hot Telecom.

In June 2021, the Minister of Communications published its decision regarding the abolition of the split between the infrastructure service and the broadband access service. The decision is intended to cancel the separation of this sector into two segments and allow Bezeq and Hot Telecom to market a unified product (which includes broadband infrastructure as well as an Internet Service Provider, "ISP"), subject to a submissions of an agreement containing Key Performance Indicators ("**KPI**") and agreed compensation provisions with an access seeker (an ISP licensee with at least 10,000 active subscribers in the Wholesale Market).

In September, 2021 the MOC approved that the agreement submitted by Bezeq (after it made several alterations to its terms) as a binding "shelf offer" which will apply to all access seekers.

In March 2022, the Minister amended Bezeq's license and allowed it to market a unified product (which includes both broadband infrastructure and ISP) to private customers and stipulated that starting on April 3, 2022, to all new subscribers (and any existing subscribers who wish to alter their existing service plans) may only be offered unified products. This decision does not apply to the business sector, where the split between the infrastructure services and ISP service shall be kept.

The amendment regarding marketing of the unified internet product by Bezeq, when content broadcasting are not included, is not expected to have a significant impact on the Company's results. At this stage, the Company is unable to assess the impact of the decision regarding the KPI indicators, among other things in light of the fact that Bezeq's future compliance with the KPI indicators, compensation mechanisms and their enforcement cannot be assessed in advance. Marketing a unified internet product together with content broadcasting by Bezeq may have a significant impact on the company's results.

The Company's estimates regarding the impact of marketing a unified internet product by Bezeq constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

6.2.5. Reform regarding communication devices

Since January 2022, the exemption permit for wireless access facilities in cellular networks was cancelled and replaced by an amendment to the Planning and Building Law, 1965. The amendment permits the establishment of larger telecommunication facilities without a permit, subject to the conditions specified in the amendment.

As part of this process, the cellular infrastructure has been designated as national infrastructure, granting the National Infrastructure Committee's Licensing Authority the power to review and approve telecommunication facilities. The reform includes exemptions from building permits in the following cases:

- subject to specific conditions, for communication devices that do not exceed 6 meters or 2/3 of the height of the building on which it is placed (the lower of the two);
- replacement of broadcasting devices; and
- addition of an antenna to an existing device which has been granted a permit.

6.2.6. Removing competitive barriers in the "*Kosher* line" service

Cellular services for the ultra-orthodox sector in Israel are currently provided in accordance with the conditions established in agreements with a single *kosher* party (the Rabbinical Committee for Communications). According to the terms of the aforementioned agreements, the *kosher* lines, among other things, are blocked from accessing the Internet, cannot receive or send text messages, can only operate using terminal equipment whose features have been limited, may only operate in certain numbering ranges, and can only be used by cellular operators approved by the *kosher* authority.

On May 1, 2022, after a hearing procedure, the Minister of Communications published a decision regarding the removal of competitive barriers in the "*Kosher* Line" service. According to the Minister's decision:

6.2.6.1. A cellular licensee will not be able to reject a mobility request due to associating the subscriber with a certain tariff plan;

6.2.6.2. The licensee shall allow each subscriber to switch to any plan it offers to its subscribers, regardless of the telephone number assigned to them or the terminal equipment they possess. In addition, the licensee will be obliged to offer the subscriber who specifically requested it a rate plan in such a manner that the service will be provided only through terminal equipment whose features have been limited or in which the service or application has been blocked at the request of a subscriber or a group of subscribers, provided that it offers the same plan using terminal equipment that has not been subject to the aforementioned restrictions. The Company is preparing itself for the implementation of the decision and is studying the effects on its activities.

Within a petition filed to the High Court of Justice regarding the decision of the Minister of Communications on the removal of competitive barriers in the "Kosher Line" service, the court issued an interim order on July 28, 2022, suspending the effectiveness of the Minister's decision. In February 2023, the Ministry of Communications notified the court that they seek to amend the decision of the Minister of Communications dated May 1, 2022, and to review the arrangement of the "Kosher Line" service as a whole, including the issues of number blocking and mobility limitations. Accordingly, the Ministry of Communications has announced that the Minister is examining the issue of the "Kosher Line" service in its entirety, including the different alternatives of the adequate regulatory process and its content and the possibility of amending legislation if necessary. It has also been stated that notice regarding this matter will be provided to the court by May 7th, 2023.

6.2.7. <u>5G tender</u>

6.2.7.1. On December 7th, 2022, the Ministry of Communications issued a tender for the expansion of an integrated license to provide advanced mobile radio telephone (Cellular) services, including advanced bandwidths that will allow the winners to offer advanced

5G services in the 26 GHz frequency spectrum. As part of the tender, 25 spectrum bands with a bandwidth of 100 MHz each (totaling 2500 MHz) are being offered for a period of 10 years. In accordance with the terms of the tender, only current Cellular network operators are eligible to compete for the frequencies offered in the tender. Additionally, Cellular operators that share a network will be able to submit a joint proposal in the tender.

6.2.7.2. The tender documents outline various details, including the threshold conditions, the deadlines for participating, and a maximum limit indicating that only a single Cellular operator or multiple operators who share a common network and submit a joint proposal in the tender may be awarded up to 12 spectrum units (1200 MHz) at most. The minimum price for each spectrum unit will be determined at a later stage.

6.2.7.3. On March 22, 2023, Partner and HOT Mobile have signed a joint proposal agreement, under which they will cooperate to formulate a joint proposal for the tender and allocation of spectrum bands that will be allocated to each of the partners in the event of a joint win in the tender, as well as payment of the license fees for the spectrum bands. As part of this agreement, the partners have agreed that spectrum units specified in it will be shared between them on the shared network and will be operated by PHI according to the terms set forth in the agreement and in accordance with the tender provisions. Further to this agreement, On March 22, 2023 the partners submitted a notice to the Tender Committee indicating their intention to submit a joint proposal in the tender.

6.2.7.4. The Tender Committee has not yet determined the date for the start of the financial bidding process in the tender and the initial price for the spectrum unit. At this stage, the Company cannot yet assess the implications of the tender on its business and financial activities.

6.2.8. Hearings and examinations

The Ministry of Communications and other regulators have also conducted hearings and examinations on various matters related to the Company's business, such as:

6.2.8.1. In June 2022, the Ministry of Communications published its decision regarding a change in the policy of interconnectivity tariffs. According to this decision, there will be a gradual reduction in interconnection tariffs over three years (ending on June 15, 2025). At the end of this period, each operator will bear the costs of completing the calls on its network ("Obliged and Secured Policy") and there will no longer be any transfer of payments in favor of a interconnection, as far as call minutes are concerned (both on the Cellular and domestic operators networks). The Ministry of Communications also decided that the maximum rate for completing incoming international calls from abroad will be reduced

(as of July 28, 2022), which is expected to increase the Company's revenue from incoming international calls. The general result of this decision is unlikely to have a material impact on the Company's business and results of operations.

The Company's estimates regarding the impact of the MoC's decision about the change in the policy of interconnectivity tariffs constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

6.2.8.2. A call for comments regarding 5G private networks - In December 2021, the MoC published a call for comments regarding 5G private networks in the 26 GHz range for businesses and other organizations. The company stated its opposition to granting frequencies to private networks and argued that such spectrum should only be approved for existing Cellular operators. If private 5G networks will be permitted to be established on a significant scale, other businesses and organizations may choose not to use the Company's 5G services, which could affect the Company's revenue and reduce the economic incentive for deploying the Company's 5G network. In addition, granting such frequencies may cause a communication interference with nearby frequencies held by the Company. In August 2022, the Ministry of Communications published the principles of the new tender for the allocation of 5G frequencies, to cellular companies only. Additionally, it expressed its intention to allocate frequencies also to new players who are not Cellular licensees.

The Company's estimates regarding the impact of granting frequencies to private networks constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

6.2.8.3. Allocation of frequencies to a non-public wireless access network - hearing on the innovation band. On August 14, 2022, the Ministry of Communications published a hearing on the allocation of frequencies to a non-public wireless access network. Non-public networks are cellular networks that are limited to a defined area, on which only

devices that have been approved or defined in advance by the network operator can operate and are usually used by businesses and large organizations (such as ports, hospitals, factories). As part of the hearing, the Ministry of Communications proposes to open the cellular market to the entry of new players through the allocation of frequencies for local use in non-public networks, all in order to encourage technological innovation in advanced services and applications and to improve the economic productivity of the economy. Partner submitted its position at the hearing, and there it objected to the arrangements that were proposed in it. The entry of new players and the deployment of non-public networks may economically disincentivize the deployment of Partner's 5G network.

The Company's estimates regarding the entry of new players and the deployment of non-public networks constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section *Error! Reference source not found.**26 below.***

6.2.8.4. A hearing regarding the ownership of the Cellular system - the current version of the cellular licenses in Israel specifies that the licensee will possess the cellular network used to offer cellular services to its subscribers. On August 16, 2022, the Ministry of Communications published a hearing on the ownership of the cellular network, MRT (Radio, Cellular Telephone). As part of the hearing, the Ministry of Communications proposes to amend the cellular licenses in Israel so that in the future the licensee will no longer be required to be the owner of the cellular network. According to what has been said in the hearing, the Ministry of Communications is considering to allow entrepreneurs to establish cellular sites on top of existing infrastructure facilities in streets (such as light poles, electricity poles, signs and bus stops), and these entrepreneurs will own the radio centers that will be deployed, which they will rent in one form or another to the cellular companies.

Partner submitted its position at the hearing, and there it objected to the arrangements that were proposed in it. The deployment of cellular infrastructures by private entrepreneurs in existing street infrastructures may make it difficult for Partner's 5G network to be deployed in these infrastructures and increase the preparation costs of such sites.

The Company's estimates regarding the deployment of cellular infrastructures by private entrepreneurs in existing street infrastructures constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

6.3. **COMPETITION**

For further details see Section 11 below.

6.4. **Technological Changes and Dependence on Technology**

The telecommunications industry is characterized by its competitiveness and dynamism, and is frequently affected by technological changes, which require adequate preparation and large investments of capital in communications infrastructures, in order to preserve the competitive status of its participants and satisfy the customers' changing necessities. The Company faces competition from existing or future technologies that have the technical capability to make cellular, fixed-line, and international calls, interconnect to local and international telephone networks and the internet, including innovative technologies such as VoLTE and VoLTE Roaming (allowing calls over LTE networks). Such technologies include fixed-line and broadband wireless access services, Over the Top or Internet-based voice and multimedia services, Wi-Fi technologies and VOC (which enables telephony services over a cellular data communication channel). The Company for example, provides Global SIM cards usage services and internet-based services, such as technology that enables telephony services through Internet Protocol, VoIP, messaging services (such as WhatsApp and Skype), and video services (YouTube, video portals). The rapid development of technologies that allow international calls to be placed over the Internet without the need to use the services of an ILD has caused a decrease in the amount of international call minutes placed through the ILD services and also serve as an alternative for fixed-line communications. Essentially, the concern with VoIP is that solely purchasing a data package may partially replace the majority of traditional cellular services, including voice calls, data usage, and text messaging.

Furthermore, eSIM technology enables a handset to connect to a network using a SIM card that is integrated and non-removable, unlike traditional SIM cards which can be removed and transferred between handsets. Moreover, eSIM technology enables a much more flexible and convenient management of multiple lines on a handset, with a simple and faster transition between carriers without the need for a new physical card. Additionally, it provides a higher accessibility to various mobile operators' roaming packages (within the "home network"). Moreover, the eSIM technology enables the connection of other handsets to the cellular network, such as smartwatches and fitness trackers. Given market trends, the assumption is that eSIM solutions as part of the home line will become more common. The Company estimates that the increasing use of eSIM

technology in Israel may cause a decline in the Company's revenue from roaming services. As of the Report publication date, the Company cannot assess whether and when the aforementioned technology will become popular among the Israeli public, and therefore it is unable to estimate the potential impact, if any, on the market and the Company's performance.

The effect of technological changes on the competitiveness of the network that the Company provides cannot be accurately predicted. The technologies the Company employs or intend to employ may become obsolete or subject to competition from new technologies in the future, however the Company operates to prepare accordingly, by adopting and implementing new technologies.

The Company's estimates regarding the impact of technological changes on the network's competitiveness constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 2626 below.

6.5. **Environmental Hazards**

For details regarding the possible impact of environmental hazards on the Company's activities, see Section 21 below.

6.6. **Epidemic**

Similar to other telecommunications companies in Israel and worldwide, the outbreak of Covid-19 has adversely affected the Company's operations since March 2020. Specifically, there has been a significant decline in the volume of international travel by the Company's customers, leading to a substantial decrease in revenue from roaming services. The effect of the COVID-19 virus on revenues from roaming services began to weaken in the second quarter of 2021, so that in the second half of 2022 these revenues impacts from roaming services were no longer noticeable. In regards to the sales of end-user equipment and other products, the impacts of the COVID-19 pandemic continued to have a negative impact throughout 2022. In particular, the global shortage of chips and disruptions in the supply chain led to difficulties in importing and manufacturing end-user equipment. As a result, there were lower sales numbers for the new iPhone 14 model that was launched in 2022, as well as a delay in the launch of new Samsung devices.

Part Three: Description of the Company's Business According to Area of Activity

7. Cellular Communications Area

7.1. General Information Regarding the Area of Activity

7.1.1. Structure of the area of activity and changes to it

Within the area of activity, the Company provides cellular communication services in Israel, including voice calls, text messaging, internet browsing and data transfer-- as well as a variety Value Added Service (VAS), roaming services, handset repair services, services provided to other operators that are permitted to use the Company's cellular network and advanced services for collecting and sharing information without human involvement as well, such as M2M and IOT, which enable communication between different end devices.

In this area, there is fierce competition between several operators (including Pelephone, Cellcom, Hot Mobile, and Wecom).

The value-added services (VAS) which are offered as part of the telecommunications services include, among other things, multimedia messages, voice mail, cyber protection, cloud backup, funtones, Myguard, antivirus and various services for business customers. In addition, the Company sells cellular equipment and devices, as well as related accessories, mainly to retail customers but also to wholesale customers.

The Company offers its customers with roaming services for use abroad, which enable cellular phone subscribers to make and receive calls and use cellular services while located within the coverage area of foreign networks operated by providers with whom the Company has established commercial roaming agreements.

As of December 31, 2022, the Company had approximately 2,744 thousands cellular subscribers, which is estimated to be approximately 25% of all current cellular subscribers in Israel.

7.1.2. Limitations of legislation, regulation, and special constraints that apply to the area of activity

For details see Section 6.1 above and Section**Error! Reference source not found.**below.

7.1.3. Changes to the scope of activity in the area and its profitability and developments in the markets of the area of activity, or changes in the characteristics of its customers

For key data about the scope of activity in the area and its profitability during 2020-2022, see Section 55 above and Section1 of the Board of Directors' Report.

The cellular telecommunication market is characterized by intense competition, which leads to frequent transfers of subscribers between the various cellular operators, in addition to erosion of

basic packages prices, concurrently with the trend of growth in the volume of data usage in the Company's sold packages. It is estimated that in both 2021 and 2022, around 1.5 million cellular subscribers switched their mobile service providers in the Israeli market by porting their phone numbers. This figure is lower than the approximately 1.9 million subscribers who switched operators in 2020. Since 2021, there has been a slowdown in the negative impact of competition on the Company's subscribers number in the cellular sector, with an increase of approximately 126,000 subscribers in 2021 (excluding 50,000 Ministry of Education subscribers, who initially joined for a limited period during 2021), and an increase of approximately 69,000 subscribers in 2022 (excluding the impact of the disconnection of 59,000 Ministry of Education subscribers and the decrease in post-paid subscribers in the fourth quarter of 2022), as detailed in Section 5.4 above). In addition, the annual churn rate of cellular subscribers continued to decrease, from 30% in 2020 to 28% in 2021 and 27% in 2022 (excluding the effects of Ministry of Education subscriptions and changing the count of pre-paid subscriptions in the fourth quarter of 2022:).

As of the end of 2022, the rate of post-paid subscribers with 5G packages among all post-paid subscribers is 12%, which is an increase from 9% that was measured in the end of 2021.

The monthly Average Revenue Per User (ARPU) from the cellular subscribers for 2022 amounted to NIS 51 (or NIS 49, excluding the effect of the decrease in subscribers in the fourth quarter of 2022), a 4% increase from NIS 48 in 2021. The increase in ARPU mainly reflects an increase in roaming service revenues due to the continuation of the moderation of the COVID-19 virus impact on roaming services, which was partially offset by continued price erosion, albeit at a relatively smaller rate than in the past). Overall, cellular service revenues increased by 7% in 2022 compared with 2021, as a result of the increased ARPU and the subscriber base. For details on how the average monthly revenue per user (ARPU) is calculated, please see section 5.4 above.

In 2022, the total revenue from interconnectivity roaming services from Israeli operators amounted to NIS 438 million.

The Ministry of Communications has decided to change the policy for interconnectivity fee rates since mid June 2023, which is anticipated to result in a material reduction in cellular service revenues for 2023. However, this is not expected to have a material impact on the Company's revenues due to lower interconnectivity expenses in similar scopes, at the same time as a decrease in its revenues. For further details regarding the decision of the Ministry of Communications on this matter, see Section 6.2.8.1 above.

The Company's estimates regarding the impact of the change in the policy of interconnectivity tariffs on the Company's income and revenues constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially

materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

Revenues from the sale of other equipment declined by 10%, as a result of a decrease in the scope of sales to wholesale customers alongside a decrease in the scope of retail sales. This decrease took place was due to the continued effect of the COVID-19 crisis on sales of end-user equipment as described in Section 6.6 above, as well as the continuation of the competition in this area.

The cellular telecommunications market is characterized by low growth rates, due to a saturated penetration rate and due to large mobility rates between the various operators. In recent years cellular telecommunications became a central means of day-to-day conduct of private customers and businesses; Users are expanding the scope of their use of communication services, also for the purpose of cellular surfing, applications usage, IoT, and more. The Company believes that this trend will continue and intensify, mainly with the establishment of the 5G and the expectation of the entry of SA G5[1]. Furthermore, the telecommunications market, which is already known for its fierce competition, is also being impacted by the emergence of eSIM technology. This allows for easy switching to another local operator's network in cellular phones. The expected result is likely to increase competition, among other things, since in recent years the use of free and alternative communication technologies over the Internet (such as VOIP) has led to a reduction of the telephony market and particularly the international telephony services and the revenues from these services. This trend is expected to continue in the future.

Moreover, the Company's revenues from interconnectivity fees are expected to decrease over the coming years, following the revised interconnectivity fee reduction plan determined by the Minister of Communications in June 2022. According to this decision, the interconnectivity fees will be reduced for a period of three years (ending on June 15, 2025), during which each operator will bear the cost of completing calls on its network, and there will no longer be any transfer of payments for interconnectivity fees per minute of call (both in cellular networks and in fixed-line networks). For further details see Section 22.7 below.

7.1.4. <u>Technological changes that have a significant impact on the area of activity</u>

The cellular telecommunications market is characterized by frequent and significant technological changes, for which the cellular operators are required to continuously invest in development and adjustments to advanced technologies. Thus, even continuous growth in the scope of cellular data traffic, which in recent years has been occurring on the cellular and fixed-line communication

1 5G - Its essence is greater bandwidth, higher bitrate, lower latency, and support for a greater number of devices. A 5G network in the NSA configuration is implemented in combination with a 4G network core, while a 5G network in the SA configuration is implemented with a designated core.

networks, dictates the necessity of upgrading the networks as foregoing, and it requires the purchase of ever-increasing capacity for providing ISP services and the Company's infrastructure. In the Company's estimate, such growth in data traffic shall among other things continue due to the development of content and television services in high resolutions, which rely on Internet communication.

The Company's estimates regarding the effects of technological changes and the need to invest resources in developing and adapting to new technologies constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

In order to respond to the increasing demand for cellular data traffic and new technological developments, such as IOT and its realization in smart cities, encrypted private networks and smart factories, the Company is among other things required to continue its investments to upgrade and expand deployment of the 4G network and adjusting it to new frequencies allocated in the 2020 frequencies tender, as well as deployment of the 5G network, in order to allow for larger capacity and faster data transfer capabilities, as well as prepare for the support of new technologies, among other things in relation to the support of private networks, on 5G networks in the NSA and SA configuration.

The Company constantly examines the technologies in the market and the need to upgrade its existing network technology and upgrade timing, this in accordance with the state of competition in the market and the economic feasibility of investing in upgrading the technologies.

For further details see Section 6.4 above.

7.1.5. <u>The critical success factors in the area of activity and the changes applicable thereto</u>

In the Company's estimate, the critical success factors in this area of activity are as follows:

7.1.5.1. A stable, high-quality, and widely spread cellular network maintained at a high level, including the ability to invest in the network over time to provide customers with the best possible service that meets their changing needs and provides them with advanced services.

7.1.5.2. The ability to offer competitive prices;

7.1.5.3. Extensive and varied distribution channels;

7.1.5.4. The ability to deal with impacts of regulatory decisions;

7.1.5.5. Quality, fair, and efficient customer service and IT, through a variety of physical, telephonic and digital channels;

7.1.5.6. A well-known and leading brand;

7.1.5.7. An increase in the subscriber base and specifically in 5G package subscribers with higher data allowances;

7.1.5.8. Professional and skilled manpower.

7.1.6. Main entry and exit barriers of the area of activity the changes applicable thereto

In the Company's estimate, the main barriers to entry into the area of activity are:

7.1.6.1. The intense competition in the cellular telecommunications market in Israel and the saturation of the industry's penetration rate. For further details see Section 11.3 below.

7.1.6.2. The need to obtain a general license from the Ministry of Communications and complying with its conditions, including amendments that are carried out thereof from time to time;

7.1.6.3. Regulation and oversight in the telecommunications are. The frequent advancements in technology and the intense competition in the market require companies in the area to regularly adapt to changes in regulations, which in turn necessitates significant investments to remain competitive. For further details see Section 22 below.

7.1.6.4. Receiving the right to use suitable frequencies from the state, based on winning the bid in the tender published by the Ministry of Communications.

7.1.6.5. Annual fees in significant amounts for the use of frequencies;

7.1.6.6. Material investments requiring a long time to recover the investment, including ongoing significant investments in the technological infrastructure in , including the establishment of a network and a countrywide deployment of facilities, an operating system, sales system, and broad support and service;

7.1.6.7. Difficulty in leasing space for establishing communications facilities (cellular antennas) and the licensing of the facilities, which encounters opposition from the local authorities and in whose territory the facility is established and from their residents, and the cost of lease resulting from this in places where spaces can be leased. For further details see Section 21 below.

It is noted that most of the barriers to entry described above with respect to the establishment of the infrastructure and using the frequencies do not constitute an entry barrier for virtual operators.

In the Company's estimate, the main exit barriers from the area of activity are:

7.1.6.8. The Minister of Communications' approval for ceasing the provision of the service, which may be contingent upon an arrangement for continued provision of the service that is provided to the customers by the operator asking to exit the area;

7.1.6.9. The Cellular License sets forth restrictions, among other things, on transferring shares from corporations that hold such license and on transferring or pledging assets that are used by the Company for fulfilling the terms of the license;

7.1.7. Structure of the area of activity and the changes applicable thereto

For details see Section 11 below.

7.2. **Products and services**

The Company is one of Israel's largest provider of cellular communication services.

As of the end of 2022, the Company is providing cellular telecommunications services to approximately 2.7 million subscribers in Israel, who constitute an estimated market share of approximately 25% of the cellular telecommunications market.

As of the Report date, the Company's 3G and 4G network covers approximately 99% of Israel's population, and the Company's 5G network covers approximately 40% of Israel's population in accordance with the deployment milestones in the Company's license. The Company operates its GSM network in the 900 MHz and 1,800 MHz bands, the UMTS network in the 900 MHz and 2,100 MHz band, the LTE network in the 700, 1,800, 2,100 and 2,600 MHz bands and the 5G network on the 3,500 MHz band.

The Company markets its cellular services and products under the Partner brand as well as under the 012 Mobile brand;

The Company offers its subscribers a wide range of services in this area of activity, including:

7.2.1. Cellular communications services in Israel

Within the cellular telecommunications area, the Company provides its customers cellular telecommunication services in Israel and related services, including voice calls, text messaging, internet browsing and data transfer, as well as a variety value-added service (VAS), handset repair services, services provided to other operators that are permitted to use the Company's cellular network and services for collecting and sharing information without human involvement as well, such as M2M and IOT, which enable communication between different end devices. The offered the

cellular content and the other services include but are not limited to multimedia messaging, voice mail, cyber protection, cloud backup, funtones, Myguard, antivirus and a range of business services.

7.2.2. International Roaming

The Company offers its customers roaming services abroad, which allow a mobile phone subscriber to order and to receive cellular services through the coverage area of foreign networks owned by operators with whom the Company has commercial roaming agreements. The Company's roaming packages allow its customers to benefit from attractive rates in over 180 destinations. In addition, the Company offers data-only packages as well as packages that combine calls, data and SMS.

As of December 31, 2022, the Company has commercial roaming relationships with 571 operators in 182 countries or jurisdictions, 366 G3 roaming agreements in 182 countries, 205 4G roaming agreements in 81 countries and 78 5G roaming agreements in 46 countries. Creating roaming relationships with multiple operators in each country increases potential incoming roaming revenue and gives the Company's subscribers more choice in coverage, services and prices in that country. The 3G and 4G roaming agreements enable the Company's 3G roamers to initiate video calls, high speed data and video and audio content while being abroad.

Although GSM (2G), UMTS (3G), LTE (4G) and 5G are standardized, the frequency allocation for each technology varies from one country to another. All 4G and 5G handsets which the Company sells, support all the above listed technologies and bands while 2G and 3G handsets support the above listed bands for GSM and UMTS. It is important to note that there may be cases in which handsets marketed in Israel will not support the frequencies assigned to LTE and 5G technology in specific countries, depending on the manufacturer's limitations.

7.2.3. End equipment

The Company makes sales on a wide range of sale channels, including in physical shops and on the website, a wide range of cellular phones, accessories, and additional electronic equipment, such as tablets, laptops, gaming consoles, loudspeakers, earphones and smart watches. The vast majority of the Company's cellular phone sales in 2020 and 2021 were from the Samsung and Apple brands (for additional details regarding the Company's agreements with Samsung and Apple, see Section 23.60 below).

7.2.4. Tariff Plans

As of December 31, 2022, approximately 91% of the Company's cellular subscriber base (approximately 2,492 thousand subscribers) subscribed to post-paid tariff plans, and 9% (approximately 252 thousand subscribers) subscribed to pre-paid tariff plans (prepayment, not

including Ministry of Education subscribers). The revenues from post-paid subscriptions accounted for more than 90% of the total revenues from cellular telecommunications services in 2022.

7.2.5. Post-paid Cellular Tariff Plans

Most of the Company's post-paid cellular tariff plans are packages including call minutes and SMS as well as browsing packages. Some of these packages also include a limited amount of international call minutes and other value-added services (VAS) such as cybersecurity, antivirus, cloud backup and other solutions. Some of the plans also include handsets warranty and maintenance. The elements of the Company's cellular tariff plans for post-paid customers are marketed in various ways to create tariff packages attractive to target markets, including families, military personnel, youth, students, family members of business customers and other sectors. In addition, the Company also offers dedicated bundles which offer extended browsing packages without minutes and SMS (eg. for use with dongles or with cellular routers and modems). Engagement agreements with private customers do not have any commitment periods. Some of the engagement agreements with large business customers with over 100 subscribers include commitment terms with exit fees for early termination.

In addition, the Company markets post-paid cellular tariff plans under an alternative brand, "012 Mobile". Under this brand, the Company offers plans, among other things, under a digital self-service model through a dedicated website (including web-chat with customer representatives) at competitive prices.

7.2.6. Pre-paid Cellular Tariff Plans

Under the pre-paid plans, upon purchase of a SIM card with physical loading card or electrical loading by credit card or cash, customers can use the Company's cellular services, including some of the VAS, without the need to register or enter into any services contract with the Company. The pre-paid plans allow the Company to compete in the pre-paid cellular services market.

7.3. **Segmentation of Revenues from Products and Services**

Set forth below data about revenues from customers in the area of cellular communications, whose rate constitutes 10% or more of the Company's total revenues (as shown in the Company's consolidated financial statements) for 2020, 2021 and 2022 (in NIS millions):

	2020		2021		2022	
	Revenues	Rate (*)	Revenues	Rate (*)	Revenues	Rate (*)
Cellular communication services	1,663	52.1%	1,699	50.5%	1,818	52.5%
End equipment	545	17.1%	602	17.9%	544	15.7%

(*) Calculated rate of the Company's total revenue in the consolidated financial statements of every period.

8. **Fixed-line Telecommunications**

8.1. **General Information Regarding the Area of Activity**

8.1.1. Structure of the area of activity and changes to it

General

The fixed-line telecommunications area of activity includes a variety of fixed-line telecommunication services, including internet services, fiber-optic infrastructure services, television services (OTT), ILD services and transmission services that are offered to business customers as well. In this area, there is fierce competition between several operators (including Bezeq, Hot Cellcom, Cellcom and IBC).

Under the fixed-line area, the Company offers a number of services provided over fixed-line networks including (a) Internet services including access to the internet through both the Company's fiber-optic infrastructures or other additional infrastructures owners within the framework of the Wholesale Market, VAS such as cyber protection, anti-virus and anti-spam filtering, and fixed-line voice communication services provided through Voice Over Broadband ("VOB"); (b) Business solutions including IP voice trunks, Network Termination Point Services – under which the Company supplies, installs, operates and maintains endpoint network equipment and solutions, including providing and installingequipment and cabling within the customer's place of business or premises, hosting services, transmission services, Primary Rate Interface ("PRI") business services and other fixed-line communications solution services; (c) International Long Distance services: outgoing and incoming international telephony, hubbing, calls concentrating, roaming and signaling and calling card services; (d) Partner TV - television services over the Internet (OTT); and (e) transmission services to international communication operators: connections and data transfer services provided to international telecommunications operators over the fiber-optic infrastructure. In addition, this area of activity includes sales and leasing of electronic and end-user equipment, including cell phones, tablets, laptops, modems, data cards, routers, servers and related peripheral equipment, as well as equipment for integration projects.

Internet

This market includes ISP services and Internet infrastructure. As of the Report date, the HOT and Bezeq Groups are the only entities in Israel that own fixed-line infrastructure with nationwide deployment. Bezeq's infrastructure is based on the deployment of copper wires and recently also on fiber-optics, whereas Hot's infrastructure is cable-based. With respect to copper wire and cable-based infrastructure those companies are imposed with a duty of universal (or nearly so) deployment.

With respect to the copper wire infrastructure, in December 2021, the MoC published an update to Bezeq's wholesale tariffs applicable to the BSA (bit stream access) service provided over its copper network. The tariffs for this service are composed of a fixed monthly per-line tariff and a variable monthly tariff (which depends on the cumulative peak capacity of data consumed by the relevant subscribers during said month). In December 2022, the MoC published an update to these wholesale tariffs. In its update of these tariffs, the MoC raised the fixed per-line tariff from NIS 32.7 per month

to NIS 38.3 per month, and raised the capacity tariff from NIS 8.2 per Mbps per month to NIS 7.6 per Mbps per month.

The Telecommunications Law was amended in December 2020, with changes made to the obligations of fiber-optic deployment and service provision for operators holding a general license. Previously, these operators were required to perform universal deployment for all their networks, but now they are only obligated to deploy fiber-optic in their own infrastructure. Furthermore, incentives were established to encourage infrastructure deployment in areas where there is no obligation for deployment, based on profitability tests. For further details regarding the Incentive Fund see Section 22.6.1 above.

The Company has fiber-optic based infrastructure network in residential areas throughout the country, which provided a more advanced and cost-effective alternative to the existing fixed infrastructure in Israel. For details about the Company's fiber-optic network, see Section 8.2.6 below.

The Wholesale Market allowed the internet connectivity providers who do not have internet infrastructure or internet connectivity providers that have internet infrastructure that is not country-wide, to compete with the Bezeq and Hot Groups and to provide service plans that include internet connectivity and internet infrastructure. In 2015 the Israeli Wholesale Market in the area of internet infrastructure services was officially launched, and also in the area of certain physical infrastructure being used by operators that do not own infrastructure. Even though the Wholesale Market also formally applies with respect to the infrastructure of the Hot group, implementation of the wholesale services on the Hot network was delayed for various reasons, among other things due to tariffs that are higher than the wholesale tariffs of the Bezeq network. As of the Report publication date, the usage of the wholesale services on the HOT network by the Company is extremely limited. For further details regarding the Wholesale Market reform see Section 22.6.2 below.

Usually, the Company provides fixed-line telecommunications services through the Company's fiber-optic network as well as through purchasing Bit Stream Access within the Wholesale Market. Alongside the Company's investment in its fiber-optic network, on December 21, 2022, the Company signed the agreement with Bezeq, regarding the purchase of an irrevocable and nontransferable right of use, IRU, for a fixed period of 15 years with a variable option to extend for additional 2 periods of 5 years each) in 120 thousand unspecified infrastructure lines in private buildings connected to Bezeq's fiber-optic infrastructure (there is the option to sign up for an additional 48,000 lines under the same conditions). The company's fiber-optic network, along with the IRU that the Company purchased in connection with Bezeq's fiber-optic infrastructure, will assist the Company expand its ability to provide fixed communication services to most of the households in Israel. For details regarding the agreement with Bezeq see Section23.9 below.

Television services

In the past, the multi-channel television market was controlled by Hot (a declared monopoly in this area) and yes, which provided television services mainly through cable and satellite technologies, respectively. Currently, there are several organizations, such as the Company, that provide television programming over the internet (OTT). In recent years, content providers that address the customer have been added to the market, both directly through paid VOD libraries and through collaborations with television service providers. This phenomenon is expected to expand with the entry of foreign additional providers. In 2023, FREE TV, a joint venture of Keshet and RGE, is expected to enter the market.

International calls

The market for international call services is highly competitive. The competition in this market is mainly based on the operators' ability to offer attractive pricing and an integrated service plan with additional services, such as cellular services. In the last few years, the adoption of free and alternative internet-based telecommunication technologies, such as Voice over Internet Protocol (VOIP), has resulted in a decline in the telephony market, especially in the international telephony services sector and the revenue generated from it. This trend is also expected to continue in the future.

The Company's estimates regarding changes and trends in the international calls services market constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

For further see 8.2 and 11 below.

8.1.2. Limitations of legislation, regulation, and special constraints that apply to the area of activity

For details see Section 6 above and Section 22 below.

8.1.3. Changes to the scope of activity in the area and its profitability and developments in the markets of the area of activity, or changes in the characteristics of its customers

For key data about the scope of activity in the area and its profitability during 2020-2022, see Section 5 above and Section 1 of the Board of Directors' Report.

In recent years, the fixed-line telecommunications sector has been characterized by a decline in demand, which has resulted in a decrease in the number of private customers using and maintaining fixed-line phone services and a gradual reduction in the amount of calls originating from fixed-line networks. In the Company's estimate, this trend is mainly due to the increase in the use of cellular

communication in light of the wide to unlimited call minute packages, widely marketed in recent years by the cellular operators, as well as prices drop in in the area. Furthermore, there has been an increase in internet-based audio communication, including application-based communication over VOB-based services.

Compared to the area of fixed-line telephone communication which is decreasing, in recent years there has been growth in terms of the number of customers in the Internet area. The Internet area is characterized by an increase in surfing rates and the adoption of advanced services and value-added services (VAS).

During 2022, the reform by the Ministry of Communications came into effect, which aimed to abolish the separation between broadband infrastructure services and internet service providers (ISP), thus enabling Bezeq and Hot Telecom to market a unified product (as stated in section 6.2.4 above). As a result of this change, the Company ceased to offer solely ISP services to private customers, including in packages that are combined with internet infrastructure services provided by other infrastructure providers. This leads to a significant decrease in the number of private customers receiving ISP services only, but without a substantial impact on the overall revenues from the area. Transmission services and data communications for business customers and telecommunications providers are characterized by a rapid increase in the bandwidth needs of the customers, but in general by a decrease in the price for a given traffic volume, which results both from the development of technology that allows for increased bandwidth at lower costs than before, and from the competition in the area.

Revenues from services from the Company’s fixed-line services increased by 7% in 2022 compared to 2021, due to continued growth in revenues from internet and television services. During 2022, the infrastructure-based internet subscriber number (including the Company's fibers as well as other providers' infrastructure through the Wholesale Market) increased by 45,000 subscribers, or 12%, from 374,000 at the end of 2021 to 419,000 at the end of 2022. This growth is a result of an increase of 75,000 subscribers in the Company's fiber subscriber base, which is partially offset by a decrease of 30,000 subscribers who are connected through another provider's infrastructure. The Company's TV subscriber base decreased by 6,000 or 3%. The effect of the revenues growth from internet and television services was partially offset by the continuation of a downward trend in revenues from international call services mainly as a result of an increase in the penetration of alternative solutions on the internet infrastructure.

Revenue generated from the sale of equipment and other fixed-line services decreased by 29% in 2022 when compared to 2021. This decrease is primarily attributed to the Company's decision in the last quarter of 2021 to switch to a leasing model for internet routers provided to private customers, rather than selling them outright. However, this decline in revenue was partially mitigated by income generated from selling the rights to utilize the Company's fiber infrastructure to international telecommunications operators.

Moreover, the Company's revenues from interconnectivity fees are expected to decrease over the coming years, following the revised interconnectivity fee reduction plan determined by the Minister of Communications in June 2022. According to this decision, the interconnectivity fees will be reduced for a period of three years (ending on June 15, 2025), during which each operator will bear the cost of completing calls on its network, and there will no longer be any transfer of payments for interconnectivity fees per minute of call (both in cellular networks and in fixed-line networks). For further details see Section 6.2.8.1 above.

8.1.4. Technological changes that have a significant impact on the area of activity

In recent years there has been major growth in fixed-line data traffic, which requires the Company to constantly upgrade its networks and to purchase larger international capacities for its services over the internet.

In 2022, the Company launched the XGSPON technology which will enable it to provide packages of up to 10G to private customers in the future. GPON technology is a fast and advanced communication network end-to-end optical fiber based solution and can provide customers with packages of up to 10G. the network is built from a main switch (OLT) located in an aggregation chamber, which provides support for thousands of users who have end units (ONU). it is a fiber network based on passive splitters of the optical signal without active switches.

For further details see Section 6.4 above.

8.1.5. The critical success factors in the area of activity and the changes applicable thereto

In the Company's estimate, the critical success factors in this area of activity are as follows:

8.1.5.1. the frequent changes in the fixed-line telecommunications market, with an emphasis on responding to the increasing need for bandwidth;

8.1.5.2. Accessibility to a quality and advanced network with a broad and nationwide deployment;

8.1.5.3. The ability to offer competitive prices;

8.1.5.4. Extensive and varied distribution channels;

8.1.5.5. The ability to deal with impacts of regulatory decisions;

8.1.5.6. Quality, fair, and efficient customer service and IT, through a variety of physical, telephonic and digital channels;

8.1.5.7. A well-known and leading brand;

8.1.5.8. The capability to provide a range of communication solutions all in one place;

8.1.5.9. Professional and skilled manpower;

8.1.5.10. TV services that provide set-top boxes which are open to applications and content worlds; User experience with Operator tier and direct access from the interface to content applications such as Netflix via deep link, as well as a "Catch-Up" experience of about 14 days.

8.1.6. Changes in the suppliers array and raw materials for the area of activity

In December 2022, the Company entered into an agreement with Bezeq for the purchase of an irrevocable and non-transferable right of use, also known as IRU, for 120,000 unspecified lines in private buildings that are linked to Bezeq's fiber optic infrastructure. This right of use is valid for a fixed period of 15 years (there is the option to sign up for an additional 48,000 lines under the same conditions). For further details regarding the agreement see Section 23.9 below.

8.1.7. Main entry and exit barriers of the area of activity the changes applicable thereto

In the Group's estimate, in light of the possibility to operate as a provider with no infrastructure, the main barriers to entry into the area of activity are low and include the need to be registered as a general permit owner. Nevertheless, in order to operate as a provider with infrastructure in the area of activity, a license is required, in addition to large capital investments infrastructure that are necessary for the purpose of establishing such and for the purpose of maintaining, from time to time upgrading, and continuously operating it. It is worth noting that in October 2020, the Ministry of Communications implemented measures to reduce entry barriers into various telecommunications fields. As part of these efforts, the Ministry decided to remove the obstacles to obtain a license for deploying and offering broadband infrastructure services through a special license, specifically for providing broadband infrastructure services, which includes both fiber-optic and wireless configurations utilizing microwave/millimeter waves. This decision aimed to encourage the deployment of these infrastructures. In this framework the threshold requirements to obtain a license were reduce and restrictions were set forth with respect to the scope of services to be provided under the license (restriction on the number of subscribers) and the period of time during which the license owner may use its license. In February 2022, the Ministry of Communications decided to allow such operators, who hold a special license for broadband services to purchase passive infrastructure services from domestic operators according to the terms of the Ministry of Communication's service file in this regard, in areas where Bezeq decided not to deploy its FTTH network. Part of the license holders mentioned above have started to operate under general permits with the entry into force of the Communications Regulations (Telecommunications and Broadcasting) (General Permit for Providing Telecommunications Services) 5782-2022. For further details about the transition from operating under licenses to operating under a general permit, see Section 22.1.1 above.

is noted that as of the Report date, the provision of internet television services does not require a license, but there is a need for financial means in large scopes, including the need to engage in agreements for purchasing content, operation and technological infrastructures.

In the Company's estimate, the main exit barrier from the area of activity, except in the matter of providing internet television services, is the approval of the Minister of Communications for ceasing the provision of the service, which may be contingent upon an arrangement for continued provision of the service that is provided to the customers of an operator who wishes to exit the area;

The commitments made under procurement agreements with content providers serve as an exit barrier from the television services area.

8.1.8. Substitutes for products of the area of activity and changes applicable thereto

Cellular telecommunications services serve as a specific substitute product for the Company's fixed-line telecommunications services, as they include numerous substitute products such as internet applications that enable telecommunication and use of IP technologies such as VOIP, as well as in the areas of internet, transmission, and data communication. Technological developments (such as 4G and 5G in cellular, fiber-optic-based infrastructure, millimeter waves and advanced cable Internet protocols) enable the provision of new services at high speeds and at competitive prices.

8.1.9. Structure of the area of activity and the changes applicable thereto

For details see Section 11 below.

8.2. **Products and services**

The Company offers fixed-line services that include Internet services, ILD services, broadcast services, telephony services (including IP connection to exchange services), television services and high-speed broadband fiber optic infrastructure, as detailed below.

8.2.1. Internet services

As an internet service provider that provides access to the global internet network, the Company offers its customers, in addition to access, various other ISP services, including email accounts, routers (CPE) with domestic Wi-Fi network capabilities, as well as value-added services (VAS), such as anti-virus and website filtering services. The Company also offers bundled packages that include internet services, television services, and additional line services. Since 2017, the Company also offers access services over fiber-optic infrastructure in residential areas around the country, at speeds of up to 10 GB. In addition, the Company provides customized value-added services (VAS) to its business clients, which include a range of solutions such as national network and data infrastructure, server farm facilities, advanced information security solutions, integration solutions, specialized services for customers with multiple branches and commercial chains, storage of

business information in data centers and advanced and secured cloud services. The ISP and internet services include the leasing of related equipment including modems and routers.

8.2.2. ILD Services

As a provider of international telecommunications services, the Company provides its residential and business customers with international telephony services. These include direct international dialing, pre-paid and post-paid calling cards for both domestic and international calls, and call-back services. In addition, the Company offers its business customers international toll-free numbers that offer fixed rates on calls from many countries around the world.

As an ILD provider, the Company also provides international call routing services between telephony networks operators outside of Israel.

In recent years, there has been a decline in the scope of the ILD services, among other things due to the technological developments which allow online communication.

8.2.3. Transmission

The Company provides fixed-line transmission services for business customers' connectivity, connectivity between cellular sites and between the business and private telecommunication injunctions (points of presence - POP) in transmissions abroad for Internet connectivity necessities. The fixed-line capacity also includes capacity which the Company leases from other fixed-line telecommunications service providers as well as inland fiber-optic infrastructure and complimentary micro wave radio links, mainly for business customers. The offered services include primarily connectivity services, on a communication network based mainly on MPLS IP technology and other technologies, by which the Company provides high quality, dedicated, point-to-point connection for business customers and telecommunications providers, as well as fixed-line services to business customers. The Company also provides international transmission services to its business customers between Israel and other countries.

8.2.4. VoB and PRI

The VOB service enables its business customers and households to use an internet connection to make and receive telephone calls over the internet. The PRI is a fixed-line network service connecting organizational switchboards to Partner's network and allows business customers to make multiple calls simultaneously.

8.2.5. Television services

In June 2017, the Company launched Partner TV. The service is OTT-based and provides its customers with an enhanced user interface experience of television services based on an open platform, Android TV.

Partner TV offers the Company's customers dozens of live linear channels, including the ability to "Catch-Up" and watch content up to 14 days after the live broadcast, video-on-demand (VOD) library, Network Personal Video Recorder (NPVR), and direct access to YouTube and Netflix applications using a dedicated button on the remote control. Additionally, the Company provides its customers with the possibility of subscribing and paying for the content services of Netflix. Customers can access the full TV service also through an application on smartphones, tablets, various streaming devices such as Apple TV, smart TVs and personal computers. The TV service also includes a K4 set-top box with an Android TV operating system that allows viewers to add content, games, and music apps directly from the Google Play store, including Amazon, Spotify, YouTube, and Disney+. The company continues to work constantly on developing and improving its smart TV offerings.

The Company has a partnership with Netflix that allows its customers to access Netflix services through a bundled package with Partner TV services. Through this partnership, Netflix content is available on the Partner TV platform and can be accessed directly from it.

8.2.6. High speed broadband fiber-optic based network

The Company has fiber-optic based infrastructure network in residential areas throughout the country, which provided for the first time a more advanced and cost-effective alternative to the existing copper and fiber-optic infrastructure in Israel. As of December 31, 2022, approximately 955,000 households are able to access the Company's independent fiber network services, and the number of subscribers to the Company's fiber-optic network was approximately 287,000.

Furthermore, in accordance with the Company's agreement with Bezeq, as of January 1, 2023, Bezeq provides the Company with for the right to use Bezeq's fiber optic infrastructure. For further details see Section 23.9 below.

In addition, the Company has entered into agreements with telecommunications operators and business entities for the sale of IRU and lease of certain fiber-optic in the Company’s fiber-optic infrastructure ("dark fibers"), as well as maintenance and operation services with respect to such dark fibers. As part of these agreements, the Company has committed to maintaining and operating the fiber optics.

8.2.7. Value added services for private customers

In addition to standard fixed-line value-added services (VAS), the Company offers a variety of value-added services (VAS) such as defense and security services for the computer and e-mail that include, among others, parental monitoring control, firewall, web hosting, cyber security services and gaming services.

8.2.8. Advanced Solutions for Businesses

The Company offers advanced solutions for businesses including integration services, cloud computing services, server farms, business switchboards and innovative communication systems. An upgraded data center that provides customers with business solutions on a secure site including hosting services (storage and maintenance of physical and virtual servers, website hosting, information storage and disaster recovery site), management communication services, and integrated services.

8.2.9. Fixed-Line Equipment and Devices

Equipment and devices sales in the fixed-line segment include sales and rental of modems, routers, servers and hardware equipment. The Company also provides its business customers with PBX services. This service is available either on the customer's website or cloud-based, and provides comprehensive telephony services

8.2.10. Tariff Plans

The Company has a wide range of diverse plans or its fixed-line services, to meet the needs of the various sub-markets: wholesale infrastructure internet, optic fiber infrastructure internet, TV, VOB, ILD and PRI.

In the internet market, the Company has tariff plans that are based on bandwidth speed. The Company offers a variety of internet solutions for home and business use according to each customer's needs.

The Company offers tariff plans based on international call destinations and usage scope.

The Company offers TV service plans that are based on the method of delivery: either set-top boxes or apps. The Company also provides plans that combine internet service (in a variety of infrastructures), TV service and VOB service. More than 80% of the Company's television subscribers purchased a package that also includes Internet services.

8.3. **Segmentation of Revenues from Products and Services**

Set forth below data about revenues from customers in the area of cellular communications, whose rate constitutes 10% or more of the Company's total revenues (as shown in the Company's consolidated financial statements) for 2020, 2021 and -2022 (in NIS millions):

	2020		2021		2022	
	Revenues	Rate (*)	Revenues	Rate (*)	Revenues	Rate (*)
Fixed-line communication services	993	31.1%	1,066	31.7%	1,136	32.8%

(*) Calculated rate of the Company’s total revenue in the consolidated financial statements of every period.

Part Four: Matters Pertaining to the Company’s Activity as a Whole

9. **Customers**

Below is data about the Company's revenues distribution from private customers and business customers for 2020, 2021 and 2022 (in NIS million): Business customers include subscribers of companies (P.C.) and other subscribers in business rate plans, which include, among others, licensed dealers and family members of large business customers.

9.1. **Cellular Communications Area**

	2020		2021		2022	
	Revenues	Rate (*)	Revenues	Rate (*)	Revenues	Rate (*)
Private customers	1,170	36.7%	1,200	35.7%	1,252	36.1%
Business Customers	1,022	32.0%	1,089	32.4%	1,097	31.7%
Total	2.192	68.7%	2.289	68.1%	2.349	67.8%

(*) Calculated rate of the Company's total revenue in the consolidated financial statements for every period

9.2. **Fixed-line Telecommunications**

	2020		2021		2022	
	Revenues	Rate (*)	Revenues	Rate (*)	Revenues	Rate (*)
Private customers	579	18.2%	672	20.0%	715	20.7%
Business Customers	418	13.1%	402	11.9%	399	11.5%
Total	997	31.3%	1,074	31.9%	1,114	32.2%

(*) Calculated rate of the Company's total revenue in the consolidated financial statements of every period.

The Company is not dependent on a specific customer the loss of whom would materially impact its activity or any of its areas of activity.

10. **Marketing and distribution**

10.1. **Sale and customer service**

10.1.1. General - the Company applies a multi-channel approach to target various market segments and to coordinate its cellular and fixed-line sales and services strategy for both the Company's business customers as well as private customers. The Company provides service for its customers in various channels: call centers, Interactive Voice Response ("IVR"), walk-in centers, service through Whatsapp, self-services by Web and designated cellular applications, in addition to service through accessibility via social media such as Facebook, Instagram and Twitter. As of the Report date, the Company manages approximately half of these services on its own while outsourcing the other half, mainly to serve private customers. All of the Company's service channels are monitored and analyzed regularly in order to ensure the quality of its services and to detect areas that require improvement.

10.1.2. Call Centers - the Company's call-center services are divided into several sub-centers, among other things, business, private and post-paid customers for cellular and fixed-line services, and specialized support and services (finance and collection), network, international roaming, TV services and support and infrastructure fiber internet service and support. The center services are provided in several languages. These services are provided internally by Company employees as well as by outsourcing services. The Company has call centers that are tailored to different types of customers, and some of these call centers are outsourced.

10.1.3. Walk-in Centers - the Company currently operates about 20 service and sales centers across Israel and roughly 20 Partner stands in shopping centers throughout the country. These centers provide a face-to-face and offer the variety of services that the Company provides its customers. For details regarding indirect sales channels see Section **Error! Reference source not found.** below.

10.1.4. Self service - the Company's customers can be self-served in a variety of channels. These channels provide various services, including general and specific information such as details about the Company's pricing plans, account balances and charges, and the ability to purchase different services. They also provide customers with information regarding trouble shooting and handset operation.

10.1.5. Technical support - the company's technicians provide TV and fibers installation and repair services to its customers.

10.1.6. Quality control - the Company's management systems are certificated and monitored by IQC (The Institute for Quality Control, an RVA accredited Certification Body authorized by Bureau Veritas Quality International) in accordance with the adequate international standards:

ISO 9001:2015, which focuses on fulfillment of clients and legal requirements;

ISO 14001:2015, which coordinates our commitment to habitat and environment;

ISO 45001:2018, which directs our efforts to provide a safe and healthy work environment at the Company's premises;

ISO 27001:2013, which focuses on the management of information security;

ISO 27032:2012, which focuses on managing cyber security.

10.2. **Sales and Distribution Channels**

The Company distributes its services and products through direct sales channels and indirect sales channels.

10.2.1. Direct Sales Channels

10.2.1.1. The service centers, as mentioned above in Section 10.1.3, are utilized also as sales center.

10.2.1.2. The Company's sales force is comprised of sales and service representatives.

10.2.1.3. A team of representatives and customer account managers that support small to medium-sized businesses;

10.2.1.4. A team of corporate representatives and customer account managers who support large corporate customers;

10.2.1.5. A Small Medium Enterprises ("SME") sales-force team focuses on individual and small business customers;

10.2.1.6. A telemarketing department conducts direct sales by phone (to private and business customers) and initiates contacts with prospective customers.

10.2.1.7. Door-to-door teams that specialize in the sale of fiber and infrastructure services;

10.2.1.8. The sales force undergoes regular training to improve their skills in selling advanced solutions such as cellular data, intranet extension and connectivity, virtual private networks, location-based services, M2M services, TV, fibers, internet infrastructure and other value-added services that appeal to corporate customers.

10.2.2. Indirect Sales Channels

The Company has agreements with dealers that provide over 35 points of sale, selling a range of the Company's products. The Company's dealer network is an important distribution channel because of its ability to attract existing cellular users to the Company's network. The Company's dealer network focuses primarily on sales to private customers and, to a lesser extent, small business customers. These dealers specialize in sales for customers, handset sales, fiber, infrastructure and internet.

Additionally, the Company has partnerships with pre-paid distributors who specialize in selling to pre-paid customers and in advance distributing pre-paid plans to affiliate marketers.

In addition, the Company also has specific dealers that target specific segments of the Israeli population by adjusting the relevant style, language and locations. The Company trains its traders regularly to keep them informed about its products and services.

10.2.3. Online Sales Channels

The Company's cellular and fixed-line services are also available to be purchased online. The Company also manages an online service for the purchase of handsets and other equipment.

10.3. **Marketing**

The marketing strategy of the Company highlights its status as a cutting-edge, forward-thinking telecommunication group that places emphasis on providing its customers with high-quality, reliable, accessible, and fair customer service. The Company has the ability to provide a complete solution to meet the diverse telecommunications needs of its customers through various packages and an extensive array of services.

The marketing activities of the Company are based on parameters that are important to its customers, given the experience it has gained in dealing with them, as well as those that are reflected in surveys conducted by the Company from time to time.

From the Company's perspective, delivering service packages strengthens customer loyalty and enhances their satisfaction with receiving telecommunications services from different areas under one roof. The Company utilizes customer interactions to provide tailored services and to sell products and services that align with the customer's needs, market trends, and profitability objectives. All this mainly through an advanced customer relationship management system (CRM).

11. **COMPETITION**

11.1. **General**

Within the Israeli telecommunications market there are four major communication groups: Partner, Bezeq, HOT and Cellcom, as well as few smaller operators. The Israeli telecommunications market is highly competitive. The competition has increased significantly in recent years due to the entry of additional competitors and regulatory changes which have reduced the area entry barriers and the barriers for customers transferring between the companies active therein. As a result, the prices for the various services provided by the Company (and its competitors) were significantly eroded and caused a decrease in the Company's revenue and operating results in recent years. The primary elements that drive competition in the telecommunications industry include the range of services offered by the Company, either individually or as a comprehensive bundle, the pricing of services and equipment, the perceived value and reputation of the brand, network quality, customer service standards, supplementary products, and the television services extended by the Company to its clientele.

The telecommunications market faces intense competition from new competitors entering the market and proposals from existing competitors. Additionally, changes in the regulatory and technological environment may lead to a decrease in service tariffs for cellular and line services while increasing costs associated with acquiring and retaining subscribers. These changes could result in a reduction of the Company's subscriber base and an increase in the rate of customer churn.

The Company's estimates regarding the impact of competition and the entry of additional competitors into the telecommunications market constitute a forward-looking information within its meaning of the Securities

Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

11.2. **Telecommunication groups and structural separation**

The competition in the Israeli telecommunications market has in recent years been characterized by competition between telecommunication groups, which are at the same time active in a number of market activity segments. It is noted that in the Company's areas of activity there are also competitors that do not belong to any telecommunications group. As of the Report date, there are four telecommunications groups active in Israel - Partner, Bezeq group, Hot and Cellcom.

Since the Bezeq and Hot groups are monopolies in each of their core businesses, the Bezeq group in the fixed-line telephony market and in the internet infrastructure market, and the Hot group in the multi-channel television market, an obligation of certain structural separation is imposed on them, and accordingly various restrictions apply to them in connection with the sale of pricing plans. The limitations imposed on Bezeq, include, among others, a requirement that Bezeq offer certain services separately, under the same conditions as these services are provided within a service package.

The Bezeq Group was granted reliefs in the structural separation that allow it to offer service packages together with its subsidiaries, subject to a few conditions. In addition, Bezeq's subsidiaries were allowed to sell and market the services of one another, including in the as part of their services plans. Hot also is also imposed with requirements to structurally separate the multi-channel television services, internet connectivity services, cellular services and fixed-line telephony services, albeit Hot was allowed to offer fixed-line telephony pricing plans, multi-channel television and internet infrastructure services, and under certain circumstances even internet access services. Similarly, Hot and Hot Mobile are allowed to sell and market each other's services and exchange information with one another.

In April 2019, the Ministry of Communications decided to grant the Hot group additional relief regarding the structural separation, which allows it to market the services of Hot and its subsidiaries to medium and large business customers with no restrictions Similarly, in July 2020, Hot was permitted to start marketing certain joint service baskets for the private segment, which also include the Hot-Net connectivity provider services, under certain circumstances.

In February 2021, the Ministry of Communications decided to allow the Hot group to market a "joint services basket" that would in addition to the home internet and broadcasts also include the cellular (quattro) and ILD. According to the decision, Hot would be required to obtain the Ministry of Communication's advance approval for each services basket, and with respect to the services basket to be offered by some of the companies from the Hot group, it would be required to also offer services of competitors that are not from the Hot group. Starting today, the HOT Group is permitted to provide a service bundle that consists solely of fixed-line phone,

broadband infrastructure, and multi-channel TV (known as "Triple"). Hot Mobile additionally offers cellular services, independently from the Triple package.

In June 2021, the Ministry of Communications decided to terminate the policy and separation existing between the broadband infrastructure service and the internet connectivity service, which requires a customer interested in connecting to the internet to purchase these two complementary services. In this context, in April 2022 Bezeq started to market and provide a unified infrastructure and ISP service. In June 2022, yes received a special ISP license and began to provide such services while focusing on selling to customers combined packages of Internet and television. As of October 2, 2022, the provisions of the Communications (Bezeq and Broadcasting) (General Permit for the Provision of Bezeq Services) Regulations, 2022 apply to yes's ISP activities.

For further details see Section 6.2.4 above.

In the Company's estimates, since it owns internet infrastructure, the aforementioned change regarding provision of internet connectivity services together with infrastructure services by Hot and Bezeq, is not expected to have a material impact on the Company's results.

The Company's estimates regarding the impact of the aforementioned change on the provision of access services and infrastructure by Hot and Bezeq constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below26.

11.3. **Competition in the Cellular Communications Area**

11.3.1. There are currently five cellular telephone network operators in Israel: Partner, Cellcom, Pelephone, HOT Mobile, and Wecom Mobile. Apart from Wecom, these cellular operators are part of the four major telecommunications groups. In addition, there are six active MVNO operators – Golan Telecom, Rami Levy, Telzar, Free Telecom, Cellact Communications and Lev Anatel Ltd. Information about the key players in the telecommunications market:

11.3.1.1. Cellcom

Cellcom, whose shareholder among other things is Discount Investment Corporation Ltd., is a cellular, fixed-line telecommunications and TV services OTT operator. Cellcom has received regulatory approval to collaborate and provide hosting services with Wecom. Additionally, in July 2019, Cellcom made an investment deal in IBC, which

resulted in Cellcom owning about 23% of IBC's share capital and having non-exclusive access to IBC's infrastructure lines. In 2020, Cellcom acquired Golan Telecom.

11.3.1.2. Golan Telecom

Golan Telecom began operations in early 2012 after winning a Ministry of Communications' tender offer for frequencies in the 2100 MHz spectrum. In 2020, Golan Telecom had been acquired by Cellcom and its Cellular license was replaced in a MVNO license.

11.3.1.3. Pelephone

Pelephone is an Israeli corporation that is a wholly-owned subsidiary of Bezeq, Israel's largest telecommunications provider and the primary fixed-line operator that is controlled by B Communications Ltd. Unlike Cellcom, Hot and Partner, Pelephone does not sell Internet or TV services.

11.3.1.4. Hot Mobile

HOT mobile is indirectly held indirectly by the Altice Group, a French media group, controlled by Mr. Patrick Drahi. The HOT Group's main areas of activity, through its different subsidiaries, are multi-channel television services, designated telephony lines (PRI), internet broadband access, transmission and data communications services as well as ISP services. In 2021, the Competition Authority and the Minister of Communications approved a transaction whereby HOT became an equal partner in the IBC Partnership, holding indirectly 23% of IBC's share capital. This partnership allowed the HOT Group to market fiber optic infrastructure to its customers and increase competition in the industry.

In 2015, the MoC approved a 15-year network sharing agreement between Partner and HOT Mobile, under certain conditions set forth by the Competition Authority, pursuant to which the parties created a limited partnership to operate and develop a radio access network to be shared by both parties. For further details see Section 23.5 below.

11.3.1.5. Wecom

Wecom is a cellular service provider that has a network sharing agreement with Cellcom. In March 2022 Wecom has been acquired by Clear Communications Holdings Limited Partnership.

11.3.2. MVNOs - Virtual Operators

The Ministry of Communications has granted MVNO licenses to various companies, some of which have entered into hosting agreements with cellular operators. The major MVNOs are Golan Telecom, which is now fully owned by Cellcom; Rami Levy, Telzar and Cellact Communication.

In 2013, the Company signed an MVNO agreement with Telzar with respect to their use of Partner's network as an MVNO.

In addition, in the areas administered by the PLO, Paltel and Wataniya operate cellular communication network. Paltel also operates a fixed-line network. Paltel's cellular network, which operates under the name "Jawwal", uses a small frequency band of the Company under frequency sharing.

Several service providers offer competitive roaming solutions, mainly through the eSIM technology. The service is offered, among others, by international providers as well as by specialized companies.

The Israeli cellular market has reached a high level of saturation, except for natural market growth through the growth of population or number of per-customer handsets, listing new subscribers by the service providers typically results in a loss of market share of its competitors.

The company's estimates regarding the continuation of competition in the aforementioned cellular telecommunications market constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

11.3.3. Estimate in relation to each operator's share of the total number of subscribers in the cellular market

Estimated Market Shares (%)*	2020	2021	2022
Partner	27	28	26
Cellcom	31	30	32
Pelephone	23	24	23
HOT Mobile	13	13	13
Others	6	5	6

* Based on Partner subscriber data, as well as information contained in published reports, and public statements issued by other operators.

11.4. **Competition in the Fixed-Line Telecommunication Area**

In the fixed-line market, the Company's main competitors are Bezeq, Israel's largest telecommunications provider and the primary fixed-line operator, HOT Telecom, and other telecommunication services providers, including Cellcom who operates in the fixed-line market. The Bezeq, the HOT and Cellcom Groups provide cellular telephony services, ILD services, internet broadband access, ISP services, transmission and data communications services and multi-channel television services. The Company's main competitive

advantages lie in the range of telecommunications services and offerings, such as service and triple packages, quality of service, brand recognition, variety of handsets and equipment, pricing and value-added services (VAS).

Usually, the Company provides fixed-line telecommunications services through the Company's fiber-optic network as well as through purchasing Bit Stream Access within the Wholesale Market. In March 2021, Bezeq began marketing internet services to private customers over the fiber-optic infrastructure it has deployed, and starting in March 2022, Bezeq began offering a bundled internet service, which includes both infrastructure and access services. The Company has not only invested in its own fiber-optic network but on December 21, 2022, an agreement with Bezeq became effective, according to which as of January 1, 2023, Bezeq provides the Company with a right of use of Bezeq's fiber optic infrastructure. For details regarding the agreement with Bezeq see Section23.9 below. The Company's fiber-optic network, in addition to the right of use it obtained in relation to Bezeq's fiber-optic infrastructure and the fiber deployment according to the tender published by the Ministry of Communications in October 2021, will enable the Company to enhance its capability to offer fixed-line communication services to the majority of households in Israel. For details regarding the incentive tender see Section **Error! Reference source not found.** above.

As mentioned above, the Bezeq Group is under structural separation rules which apply to it as detailed in Section 11.2above . Following implementation of the Broadband Wholesale Market Reform(as detailed in Section22.6.2below) ,the requirement for structural separation may be removed or narrowed down .An aforementioned change of structural separation which would allow Bezeq to take advantage of its nationwide deployment and its ability to conduct cross-subsidization between its services, and so to market and sell more competitive and attractive offers than the Company will be able to offer. Bundled offerings have become more common in Israel and have caused price erosion in the services included. If the requirement for structural separation of Bezeq's activities are neither enforced nor lifted, in part or in full, it could negatively impact its business and financial performance.

The Company's estimates regarding the impact of the implementation of the Broadband Wholesale Market Reform and the lifting or narrowing down of the requirement for structural separation from Bezeq constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

11.4.1. <u>The internet services</u>

The HOT and Bezeq groups are the exclusive proprietors of a wireline infrastructure deployed nationwide in Israel (or a similar extent). These groups are the main internet infrastructure providers

for the private sector in Israel, and they also provide internet infrastructure services to operators that do not own infrastructure in the framework of the Wholesale Market.

Starting from December 31, 2022, Bezeq has been offering internet infrastructure services, delivered via copper and fiber, to roughly 1,504 thousands households. Among these households, about 1,032 thousands are retail, while the remaining 472,000 belong to the Wholesale Market. Additionally, Bezeq has been extending its fiber infrastructure services to around 1,526 thousands households since 2021. Bezeq's fiber subscribers count stands at approximately 267,000, out of which about 198,000 are retail subscribers, and the remaining 69,000 are wholesale subscribers. This means that fiber services have reached around 17.5% of the households connected to the infrastructure. HOT provides internet infrastructure services to approximately 685,000 households (over cable infrastructure)[2].

The Company offers internet infrastructure services to the private sector on an independent fiber-optic network deployed in selected residential areas. In addition, the Company has fiber-optic infrastructure deployed in Israel's industrial and business centers, which it uses to provide wired communication services to business customers. For details regarding the Company's independent fiber-optic network see Sections 8.2.6**Error! Reference source not found.**and 13.2.5. On December 21, 2022, the Company's agreement with Bezeq entered into force, according to which as of January 1, 2023, Bezeq provides the Company with a right of use of Bezeq's fiber optic infrastructure. For further details regarding the agreement see Section 23.9 below.

IBC's license enables internet infrastructure services over fiber-optics to access services providers. In February 2021, an agreement was approved between Cellcom and the IIF, for investment with Hot Telecommunication in IBC. As part of the agreement, HOT became an equal partner in IBC, and holds indirectly about 23% of IBC's shares As part of the approval conditions set by the Minister of Communications, IBC committed to reaching a deployment of 1.7 million households by February 2026. In addition, IBC provided a shelf offer for every operator who wishes to purchase its services will include the services and the terms specified in IBC's IRU Agreements with Cellcom and HOT and be subject to a minimum obligation regarding the number of lines to be purchased, as well as a reduced tariff proposal, subject to the aforementioned approval of the Minister of Communications. As of December 31, 2022, IBC has deployed fiber infrastructure to approximately 1.1 million households

As of December 31, 2022, the Company provides internet infrastructure services to approximately 415,000 customers, of which around 287,000 are subscribers to its fiber-optic service. As of September 30th, 2022, the Company's market share in the internet infrastructure market is estimated to be around 22%.

2 The data with respect to the number of households to which Hot provides internet infrastructure services is based on the Company's estimates.

11.4.2. Television services

The company offers television services over an internet-based OTT network. For details regarding the TV service see Section **Error! Reference source not found.** above.

In the TV services market, the Company competes with yes (part of Bezeq Group) which offers TV services through cable and OTT, with HOT which mainly offers TV services through cable and with Cellcom which offers hybrid OTT-DTT TV services

As of December 31, 2022, Cellcom, HOT and yes provide television services to approximately 257,000, 769,000, and 579,000 households, respectively.

As of December 31, 2022, the Company has been providing this service to approximately 220,000 customers. The Company estimates that its market share in this area is around 12%, as of September 30.[3]

Hot and Yes each market a discounted OTT brand, called Next TV and Sting TV, respectively. In addition, in the framework of transitioning from satellite broadcasts to OTT technology, yes launched an additional OTT brand referred to as yes+. During 2022, yes started including Netflix and Disney (another international internet based VOD content provider) in its yes+ service (including monthly statement billing). In addition, yes also offers its customers a content library for an additional fee as part of its VOD catalog, which includes the discovery+ content.

Also the service offered by the Hot Group includes the Netflix app.

In June 2022, the FREE TV service was approved, under some reservations, by the Second Authority for Television and Radio, after also receiving approval from the Competition Authority until September 2025. Entrance of the new service, which is expected to take place in 2023, if indeed it does, could increase the current competition level in the market. Moreover, the Company anticipates that the launch of the new service will affect its customer base, however, currently, the Company is unable to assess the extent of the impact that the introduction of the new service will have on its financial results and/or business relationships with its content providers, as previously mentioned.

The Company's estimates regarding the impact of FREE TV's entry into the market on its operations constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors

3 The data with respect to the number of households to which the Company provides multi-channel television services is based on the its estimates.

outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

In addition, there are international VOD content providers that offer complementary TV content. Specifically, the Company anticipates the launch of several subscription video on demand (SVOD) services in Israel in the next few years, including, but not restricted to, Disney+, Paramount+, HBO Max and others. These services are expected to increase the intensity of competition in the market for TV services in Israel.

In the Company's estimate, the competitive trend shall continue in the future and may include the entry of international players, as well as additional Israeli players.

11.4.3. ILD Services

The international calls services market changed a lot in recent years. The use of free and alternative communication technologies such as VOIP and WhatsApp calls led to a decreasing trend of the telephony services market, in particular the revenue from international telephony services, which in the Company's estimate is expected to also continue in the future.

The company competes in this market with Cellcom, Bezeq International, Xfone, Rami Levi, Telzar, Golan Telecom, and Hot Mobile.

11.4.4. Fixed-line telephony services ("Domestic Operator Services")

The fixed-line telephony market has for many years been controlled by the Bezeq group, a monopoly in the fixed-line telephony market, and by the Hot group.

The Company offers fixed-line telephony services to business customers and fixed-line telephony services through VOB technology to its private customers. In the Company's estimate, its market share in the market for fixed-line telephony services is insignificant.

11.5. **The Company's coping with competition in the telecommunications market and factors that affect its competitive standing**

The Company believes that its ability to effectively compete in the telecommunications market relies in part on consistent diligence and a commitment to providing high-quality customer service in a competitive price, as well as a keen focus on the business landscape. Additionally, the Company must be able to anticipate and respond to market trends and events, such as the introduction of new services and technologies, shifts in customer preferences, demographic changes, economic conditions, competitor pricing strategies, and modifications to the legal and regulatory environment.

The company is a significant player in the infrastructure sector, boasting a strong market presence, which is underpinned by its independent fiber network. The Company strives to continue to grow in the fiber service

mainly through the realization of the IBU agreement with Bezeq, and to improve the quality of the communication services provided to the private customer. In addition, the Company strives for a rapid growth in transmission and communication solutions for businesses. Furthermore, the Company continues its domestic fiber deployment activity for global players.

In order to cope with increased competition in the telecommunications market, the Company operates by, among other things: (1) realizing opportunities that maximize its advantages as a communications group, including launching television services over the internet, investing in the Company's fiber optic network infrastructure, and entering into an IRU agreement for the purchase of fiber-optic infrastructure rights that allows the Company to expand its ability to provide services in the fixed-line communications sector; (2) offering service packages that enhance customer loyalty and expand the range of services that the customer purchases from the Company; (3) investing in the Company's networks to ensure the provision of high-quality and advanced cellular and line services, including 5G; (4) taking steps to improve efficiency and streamline work processes; (5) increasing service activity in digital channels; (6) expanding the activity of sales outlets in the area of end-user equipment, including increasing marketing efforts; and (7) increasing focus on business customers and providing integrated communication solutions to these customers.

To assess the impact or potential negative influence on its competitive position, the Company can identify the following factors: (1) imposing heavy regulation on over-the-top (OTT) television services offered by the Company to its customers; (2) cancellation and/or providing additional ease in the structural separation obligations of Bezeq and/or HOT; (3) difficulties in making the necessary investments to provide the Company's services competitively; (4) systematic technical malfunctions and/or cyber attacks that may affect the supply of the company's communication services; and (5) the provision of communication services by private entities or governmental companies that are not telecommunication companies.

The Company's estimates regarding the negative factors that may affect its competitive standing constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

12. **Seasonality**

Historically, our cellular service revenues and profitability tend to show some seasonal trends over the year, resulting mainly from revenues from roaming services which tend to increase during Jewish holiday periods and during the summer months. The Company's regular seasonal trends were not significantly expressed in the years 2020 and 2021 do to the impact of the COVID-19 crisis on roaming service revenues. In 2022, the

trend of seasonality came to fruition. However, there is no guarantee that this trend will continue in the future.

NIS in millions	Three months ended March 31	June 30	September 30	December 31
		(Unaudited)		
Revenues from services				
2019	624	642	658	636
2020	629	616	631	632
2021	639	649	672	675
2022	690	706	728	705

13. **Fixed Property, Real Estate and Facilities**

13.1. **General**

The net balance of the Company's fixed property as of December 31, 2022, and December 31, 2021, is approximately NIS 1,780 million and NIS 1,644 million, respectively.

13.2. **Networks**

The Company has built an extensive, resilient and advanced cellular network to provide cellular, fixed-line, ISP and TV services in Israel. In addition, the Company has also developed and continues to expand a fiber-optic infrastructure network in a nationwide deployment. Through these networks, the Company offers its customers extensive coverage and consistently high quality services.

During the years that ended on December 31 of 2021 and 2022, the Company made capital expenditures of NIS 338 million and NIS 363 million, respectively, in its network infrastructure, including the fiber optic infrastructure.

The Company's network is a fixed and cellular telecommunications network. For cellular services, a multi generation (2G, 3G, 4G, and 5G) wireless network was built. The differences between generations in wireless networks are reflected in improvements in data compression and encoding technology, resulting in better voice quality, and faster more reliable data transfer. 5G is the most advanced mobile network technology which is currently available in more than 560 of the macro sites and is based on the existing range of 3,500 MHz in addition to the Company's LTE network, as well as the Company's LTE network, which has national coverage available at 2,650 sites transmitting on the existing frequency band of 1,800 MHz. In addition, the 700 MHz band is available in about 1,160 sites; the 2,100 MHz band is transmitted in about 1,700 sites; and the 2,600 MHz band is transmitted in about 900 sites. For the Company's fixed-line services, it has built a geographical redundant network in case of a network malfunction.

13.2.1. The Network Sharing Agreement with HOT Mobile -

For details see Section 23.523 below.

13.2.2. Infrastructure

Pursuant to the Network Sharing Agreement, the parties have established PHI, which operates the joint network that includes: the radio access network domain consists of 1,940 macro GSM base transceiver stations, 21 micro GSM base transceiver stations and 81 indoor GSM transceiver stations, all linked to 7 cell sites controllers (HDBSC - High Dense Base Station Controller);

13.2.2.1. 2,308 macro UMTS cell sites, 32 micro UMTS cell sites, and 599 indoor cell sites, all connected to 14 radio network controllers;

13.2.2.2. 2,295 macro cell sites using LTE technology, 23 micro cell sites using LTE technology, and 420 indoor cell sites using LTE technology;

13.2.2.3. 584 macro cell sites using 5G technology and 15 indoor cell sites using 5G technology.

The Company's core network domain consists of 2 DRP switching centers nationwide, in which the cellular, fixed-line, internet, TV and the fiber networks operate from.

Until 2019, Ericsson was the exclusive supplier of radio equipment and core networks for the Company. In January 2019, the Company entered into an agreement with Mavenir for the replacement and modernization of the Company's network core (EPC- Evolved Package Core) and the IMS (IP Multimedia Sub System) supporting VOLTE 5G NSA network and WiFi calling technologies into a virtualized solution provided by Mavenir. Today, the Company combines Mavenir's equipment with Ericsson's equipment.

In January 2023, the Company signed a Memorandum of Understanding (MoU) with Ericsson, under which Ericsson will provide a 5G system (Stand Alone and Non-Stand Alone) to the Company. The project is expected to last around 15 months, after which Ericsson will serve as the primary supplier for the Company's 2G, 3G, 4G, and 5G cellular network. As per the MoU, the parties have to agree on a deadline for reaching a detailed agreement. As of the Report publication date, the deadline is on May 16th, 2023. If the parties do not come to a detailed agreement within until the deadline the MoU will no longer be effective. The cellular networks used by the Company covered approximately 99% of the Israeli population at the end of 2022. The Company is continuing to expand and improve the coverage, capacity and quality of its 4G and 5G radio accesses network area.

The company's wired network sector consists of a variety of branding platforms that provide VOIP services to both the private and business sectors.

Additionally, the Company's wireline network is connected to all of the telephony companies providing service to all residents of Israel. The network is linked to all cellular networks, as well as to all Israeli international operators and Palestinian networks. The

Company's transmission network is made by its own fiber optic infrastructure, including MPLS protocol based IP network, while for sites that are unreachable with its own infrastructure, it leases lines from other operators. As of the Report date, approximately 3% of its transmission network consists of leased lines. The Company's fiber-optic/MPSL network and microwave transmission network enables it to reduce its transmission costs as well as to provide our customers with bundled services of data and voice transmission and fixed-line services. As of the Report date, the Company's transmission network has more than 5,031 kilometers of fiber-optics (both independent and Bezeq infrastructure).

13.2.3. Passive Infrastructure Sharing Agreement.

In August 2022, approval was granted by the Ministry of Communications for an agreement between the Company, Pelephone, Cellcom and HOT Mobile, to expand the cooperation between the parties in the area of passive infrastructure sharing for cellular sites, which allows for full or partial sharing of passive elements on the network sites (for example, electricity, air conditioning). The parties submitted the Agreement for approval by the Competition Commissioner and the Ministry of Communications. The Competition Commissioner has determined that the collaboration can proceed based on self-assessment, and as a result, the companies received legal and economic opinions that the Company follows. The Agreement allows for the unification of existing and new passive infrastructures for cellular sites, and enables cost and investment savings entailed in establishing passive infrastructures for cellular sites. The companies are practicing this approval and working to expand their collaboration.

13.2.4. Network configuration

The Company is working to continuously optimize the cellular network on all the technology types supported by it. The conducting ongoing expansions and improvements to provide high-quality HD voice, video streaming, internet browsing while maintaining the best user experience and nationwide coverage. The Company devises strategic goals for its network and aligns them with its business strategy, with a focus on continuously increasing network resources to meet the industry's highest quality standards. In order to enhance user experience, starting in the fourth quarter of 2018, the Company launched a project to expand coverage and capacity for a 4G network based on the 700 MHz frequency, and in the second half of 2020 it launched the 5G technology (NSA).

The Company monitors its performance by using key performance indicators (KPI) and metrics to ensure network quality.

The Company offers a range of fixed-line telecommunications services, including VOB technology telephone lines, IP connectivity services to switchboards, PRI, internet services, FTTH, and ILD services aimed at households and business customers in the Israeli market. These services are provided mainly over the Company's existing network infrastructure. In order to provide the Fixed-line Services in the residential market, the Company developed a variety of CPEs (all in one router

and modem), that provides the customer with a setup of a home network Wi-Fi, Voice FXS and DECT supported phones, Internet services and built-in firewall.

13.2.5. Fiber-optic infrastructure

In 2006, the Company purchased Med-1 I.C.–1 (1999) Ltd.'s fiber-optic transmission business. Since then the Company has continued to expand its fiber-optic infrastructure and to provide services to our business customers through our fiber-optic infrastructure, and in 2017, the Company commercially launched services provided through the network to connect the fiber-optic networks to private households. Continuing the deployment of fiber-optic infrastructure is a key component of the Company's strategy to maintain its technological leadership in the market, compared to what is currently available in the market. As of the Report date, the Company has already connected 955 thousand households to its independent fiber-optic infrastructure (FTTH).

The fiber-optic infrastructure enables the Company as a comprehensive telecommunications group to offer increased internet speeds compared to current market copper network alternatives, manage the quality of service and customer experience, and offer additional advanced services. The combination of the fiber-optic infrastructure, together with Partner TV allows the Company to offer customers a complete triple package.

The Company intends to continue using its fiber infrastructure to provide, among other things, international communication connections and data transfer services between the Far East/Gulf countries and Europe to its customers and communication service providers. This will offer a sustainable alternative to existing submarine cable connections, including through the Suez Canal. During 2022, the Company entered into agreements of this type to sell dark fibers for use by international communication operators from various domestic locations. For further details regarding these agreements see Section 23.10 below.

The Company's plans for deploying additional fiber-optic infrastructure are deemed forward-looking information as such term is defined in the Securities Law. These are predictions the materialization of which are not certain, being subject to factors outside the Company's control, and among others is subject to the effects of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

Furthermore, in December 2022, the Company entered into an agreement with Bezeq according to which as of January 1, 2023, Bezeq provides the Company with a right of use of Bezeq's fiber optic infrastructure. For further details see Section23.9 below.

13.2.6. Frequencies Allocation and Capacity

Frequencies availability is limited and they are allocated by the Ministry of Communications through a licensing process. Pursuant to the terms of the Company's license and subsequent allocations, it

was allocated 2x10.4 MHz in the 900 MHz frequency band, of which 2 x 2.4 MHz are shared with Jawwal which operates in the West Bank and the Gaza Strip and an additional 2 x 2.4 MHz of Jawwal's spectrum is partially available to the Company.

Additionally, the Company was allocated four additional bands of spectrum:

13.2.6.1. 2100MHz (Band1) -2 x 10 MHz of UMTS/HSDPA 3G in the 2100 MHz frequency band. The Company operates GSM 900 MHz band base transceiver stations that enhance the capacity of its network quality. In 2012, the Company shifted 5MHz of its 900MHz band from the 2G GSM network to the 3G UMTS network. In 2014, the Company shifted 10MHz of its 1800MHz spectrum from the 2G GSM network to the 4G LTE network. In 2015, the Minister of Communications approved the results of the tender bid process in which the Company won an additional 2x5MHz in the 1800MHz band. HOT Mobile was also awarded two bandwidths of 5 MHz of frequencies in the 1800Mhz band, both of which are used by the PHI network. Now that these frequencies have been allocated to the Company, and the Network Sharing Agreement with HOT Mobile has been implemented, the Company's total available spectrum for 4G (LTE) is 50 MHz, which allows the Company to offer full 4G services as for this period.

13.2.6.2. 700 MHz (Band28) -In 2020, the Company acquired through an MoC tender 2X5 MHz in 700 band. The Company operates this frequency on it shared 4G network together with 2X5MHz acquired by HOT-Mobile.

13.2.6.3. 2600 MHz (Band 7) - In 2020, the Company acquired through a tender 2x10 MHz in 2600 band, and it operates this frequency on its shared 4G network together with 2X10MHz acquired by HOT-Mobile. As part of coordinating frequencies with neighboring countries, the Palestinian Authority, and other entities, there may be shared usage or limitations on the use of certain or all frequency bands in specific areas.

13.2.6.4. 3500 Mhz (Band 78) - In 2020, the Company acquired through an MoC tender 50 MHz in 3500 band. The Company operates this frequency as part of its shared 5G network, together with 50MHz acquired by Hot-Mobile, resulting in a total of 100 MHz for the PHI shared network. As part of coordinating frequencies with neighboring countries, the Palestinian Authority, and other entities, there may be shared usage or limitations on the use of certain or all frequency bands in specific areas.

13.2.6.5. In addition, on December 7th, 2022, the Ministry of Communications published a tender for the expansion of an integrated license to provide advanced mobile radio telephone (Cellular) services with advanced bandwidths that will enable the winners

to provide advanced 5G services in the 26 GHz frequency range. On March 22, 2023, the Company signed a joint proposal agreement with HOT Mobile, under which they will cooperate to formulate a joint proposal for the tender. For details regarding the 5G networks tender, see Section 6.2.7 above.

13.3. **Real Estate**

The Company's main activity is carried out in the real estate properties it leases. Below is a description of the material lease agreements that the Company is party to:

13.3.1. The Company's Headquarter Facilities in Rosh Ha-Ayin

The Company leases its headquarter facilities in Rosh Ha-ayin, Israel, with a total of approximately 51,177 gross square meters (including parking lots). In 2020, the Company signed an amendment to the lease agreements for its headquarters facility in Rosh Ha'ayin, which extends the lease term until the end of 2034. The rental payments are linked to the Israeli CPI. The Company's annual rental expenses for these facilities in 2022 amounted to approximately NIS 14.1 million (excluding VAT and linkage).

13.3.2. Call Centers Facilities

The Company leases call centers in several cities. The leases for each site have different lengths and specific terms. The Company believes that the present call center facilities meet future requirements, and if necessary, it will be able to either extend the lease agreements or secure alternative or additional facilities under reasonable commercial conditions.

The Company's estimates regarding the adaptation of call center facilities for its future needs constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

13.3.3. Service Centers and Points of Sale

Most of the lease agreements for the Company's service centers and points of sale are for periods of two to ten years. In general, the Company can extend the lease agreements for different periods of up to ten additional years (including the original lease period). For further details, see Note 2 of the Financial Statements dated December 31, 2022

13.3.4. Sites Designated for the Installation of Equipment for Cellular Networks

PHI leases most of the sites where its mobile telecommunications network equipment is installed throughout Israel. At December 31, 2022, the Company and PHI had 3,228 network sites (including micro-sites). The lease agreements relating to the PHI's network sites are generally for periods of two to ten years. The lease periods can be extended for up to ten years (including the original lease period).

The construction and operation of most of these network sites requires building permits from local planning and building committees, as well as a number of additional permits from governmental and regulatory authorities, some of which the Company and PHI challenge to obtain due to the prolonged and delayed licensing processes. For further details regarding the required building permits for the establishment and operation of network sites see Section 21.2 below. These difficulties could have an adverse effect on the coverage, quality and capacity of our network. Operating network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability on the Company or its officers and directors. For further details regarding the process of obtaining licenses for the Company's sites, see section 22.5 below.

The Company's estimate of the difficulties or delays in obtaining building permits and approvals from governmental and regulatory authorities that are required for the Company is deemed forward-looking information, as defined in the Securities Law. This estimate is based on information available to the Company as of the date of the Report, and includes the Company's estimates and analysis based on its experience with lease agreements, as mentioned. This estimate might either materialize or not materialize or only partially materialize, as it is subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

Rental payments for the installation sites of the cellular network equipment, which were reflected in the Company's Consolidated Financial Statements dated December 31, 2022, as both operating and financing expenses, in light of the implementation of the International Reporting Standard (IFRS 16) regarding the real estate, as stated in this Section above, were amounted in the years 2020, 2021, and 2022 to approx. NIS 81 million, NIS 79 million and NIS 75 million.

13.3.5. Additional Facilities

The company leases additional facilities in Israel and abroad, including service chambers, points of presence (POP), equipment storage areas, communication servers. The Company uses such facilities, where each facility's size is relatively small and versatile.

14. Intangible assets

14.1. Rights to Use Frequencies in the Area of Cellular Telecommunications

The availability of frequencies in Israel is limited, and the allocation of the frequencies is made by the frequencies commission through a licensing process. For further details regarding the frequencies which were assigned to the Company see Section 13.2.6 above.

14.2. **Trading Symbol**

The Company is the registered owners of the trademark "Partner" in Israel with respect to telecommunications-related devices and services, as well as additional trademarks. It has also registered several internet Web domain names, including, among others: www.partner.co.il.

012 Smile is the registered owner of several trademarks in Israel with respect to telecommunications-related services that include the numbers "012". In addition, 012 Smile has registered several internet web domain names, including, among others, www.012.net and www.012.net.il. Partner is the assignee in a patent application filed in 2012 that claims a method for delivering short messages originated by roaming prepaid subscribers. A Notice of Allowance was issued for the application in 2013 and a patent was issued in 2014.

14.3. **The GSM Association**

The Company is a member in the GSM Association. In conjunction with the promotion and operation of its GSM network, it owns the right to use the Association's relevant intellectual property, such as the GSM trademark and logo, security algorithms, roaming agreement templates, and billing transfer information file formats. It is eligible to remain a member of the GSMA Association for as long as it is licensed to provide GSM service.

14.4. **Goodwill**

When the Company acquires a subsidiary, surplus costs are often incurred and allocated, which result in the creation of Goodwill. Goodwill is examined at least once a year for purpose of impairment testing. Goodwill is not systematically impaired. Total goodwill in the Company's books as of December 31, 2022, is NIS 103 million, wholly attributed to the fixed-line sector. For details and goodwill impairment testing see Note 13 of the Financial Statements.

14.5. **Costs for Obtaining Customer Contracts**

The Company capitalizes incremental costs for purpose of achieving a contract with customers, while the Company is expected to return these costs according to IFRS 15. The Company subtracts these assets according to the average customer churn rate.

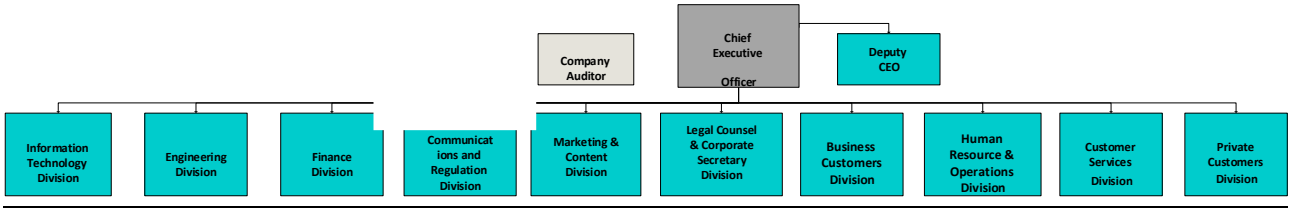
14.6. **Software**

The Company uses computer software as part of computing systems, some of them under licenses that it purchased and some that were developed by the Company. Some of these licenses are limited in time and are renewed from time to time. The primary systems utilized by the company consist of the Oracle Applications ERP System along with systems for managing customer relations and billing.

15. **Human capital**

The Company believes that its employees are a key factor in achieving its strategic goals and success. As such, it places great emphasis on investing in human capital, and therefore, it considers its employees to be full partners in its success. the Company is acting to hire the most suitable candidates for every position. The Company grants its employees the training that they require for effectively performing their tasks, and invests in their personal and professional development, learning, and enrichment. Moreover, the Company strives to incorporate principles of equity and openness, and is devoted to fostering a secure and inclusive workplace.

15.1. **Below is a description of the Group's organization structure as of the Report date:**



Employee headcount

Below are details about the number of employees in the Company:

	2020	2021	2022
Customer service	1,370	1,257	1,254
Sales and sales support*	491	537	514
Information and Engineering Systems	388	372	437
Marketing and Content	52	48	65
Finance	85	86	86
Human Resources, Administration & Security	86	86	98
Operations & Logistics	122	121	116
Other operations	61	67	69
Total	**2,655****	**2,574**	**2,637**

* In order to efficiently manage customer service, sales, and sales support, the Company has opted to employ multiple part-time employees in many positions. As a result, the number of employees engaged in these activities is approximately 12% higher than the number of full-time employees mentioned previously.

** During the first half of 2020, the Company responded to the COVID-19 crisis by implementing temporary workforce reductions, and a significant portion of its employees were placed on unpaid leave. As of December 31, 2020, an additional 90 full-time Company employees were still on unpaid leave due to the ongoing impact of the pandemic.

15.2. **Training**

The Company customarily sends its employees for training, which includes professional courses, general training, management training, etc.

The representatives of the customer service, sales and the other employee teams that interact with customers undergo extensive training before starting to perform their functions in the Company, and ongoing training during the course of their performance. In addition, the company provides various initiatives such as morning

tutorials, monthly training sessions aimed at enhancing knowledge, work meetings, and managerial training sessions on effective communication and feedback management techniques.

15.3. **Terms of employment**

The Company has personal employment agreements with its employees; some of whom earn a monthly global salary, and some of whom are employed on a monthly or hourly salary. As part of the consideration that employees are eligible to, performance-based incentive is added to most of the service and sale employees (monthly/quarterly incentive or an annual bonus).

In addition, most of the Company employees are subject to the provisions of the Company's current collective employment agreements.

For further details regarding the collective employment agreements, see Section 15.4 below.

Regarding compensation of senior officers see Regulation 21 in Chapter 4 of this Periodic Report.

The Company employees are entitled to a pension insurance in the following amounts (amounts vary according to choice of a pension fund or a manager's insurance fund): employer provision for pension and compensation: 12.5% - 15.83% of the employee's salary and employee provision for pension: 6% -7% of the employee's salary.

The Company employees are eligible for an advanced study fund based on their job position and length of service. Each eligible employee contributes an amount equal to 2.5% of their salary, and the Company contributes 5%-7.5% of the employees' salary, as stated above. In addition, in accordance with the collective employment agreement, employees that have been employed for 36 months or more by the Company are entitled to an Education Fund, by contributing an amount equal to 2.5% of their salary and the Company contributes 7.5% of such employee's salary.

Most of the Company employees participate in a Health Insurance Program which provides additional benefits and coverage which the public health system does not provide. Eligibility to participate in the policy depends on seniority and position.

The labor law subjects employers to increased liability, including monetary sanctions and criminal liability, in cases of violations of certain labor laws and certain violations by contractors providing maintenance, security and cleaning services.

15.4. **Collective Employment Agreements**

Most of the Company employees are subject to the provisions of the Company's current collective employment agreements. Most of the Company employees are employed under personal agreements. The Company's salary agreements are established according to hourly rates, monthly salaries or global salaries. As part of the consideration that employees are eligible to, performance-based incentive is added to most of the service and sale employees (monthly/quarterly incentive or an annual bonus).

Apart from the labor laws and extension orders, the Company arranges the employment terms of its employees, with the exception of senior employees and other employees who are employed under personal agreements, through special collective agreements that are signed from time to time between the Company and the New Histadrut (above and below: the "**Histadrut**").

In July 2019, the Company engaged in a collective employment agreement with the employees' representative and the Histadrut, the organization that represents the Company employees (hereinafter: the "**2019 Agreement**"), which replaced the previous 2016 Collective Agreement. The 2019 Agreement applies to all of the Company employees, except for employees in certain roles. The 2019 Agreement defined the Company's policies and employment terms in different aspects, which are more favorable to employees the mandatory minimum requirements set by the Israeli law, including provisions regarding minimum salary, pay raises, incentives and participation in the operating profit (above certain operative profit threshold). Furthermore, the Company has set up a welfare budget for its employees and provides specific benefits for eligible employees, such as daycare services, clothing allowances, personal days off, and more. Some of the welfare services are also provided by the Company to employees are under personal agreements. Additionally, the Company has put in place different policies regarding recruitment, employee transfers, and layoffs, particularly for those who have been working for the Company for at least 36 months.

In terms of pension insurance, the 2019 Agreement established generous pension arrangements for employees, according to which they will be insured from the first day at rates of 12.5% to 15.83% (depending on their seniority). Furthermore, it was determined that the Company's contributions towards severance pay will be in place of the Company's obligation to pay severance pay according to Section 14 of the Severance Pay Law, for the salary, components, periods and rates for which the contributions were made. These arrangements do not apply to "service representatives," as defined in the agreement. The entitlement is given to these employees according to the law.

In December 2021, a collective agreement was signed that extended the duration of the 2019 agreement for an additional three years (hereinafter: the "**2021 Agreement**"). The 2021 Agreement provided for pay raises in 2022 and also outlined a system for employees to share in the profits of the Company for 2022. It was also agreed that in November 2022, the parties to the collective agreement will discuss granting pay raises and defining the employee profit-sharing mechanism for the years 2023-2024.

In July 2022, against the backdrop of a change in control of the Company, a special collective agreement was signed with a validity period until December 31, 2024 (hereinafter: the "**2022 Agreement**"). In addition to the extension of the arrangements in the 2019 Agreement, the 2022 Agreement established pay raises for 2023-2024, at a rate of 3.5% each year for employees with at least one and a half years of seniority, and a special pay raise to reduce wage gaps for employees with at least 4 years of seniority who earn less than the salary level established in the 2022 Agreement. Moreover, a single retention bonus was decided for employees who had worked for two years or more, and the bonus amount was based on the employee's length of service. In addition, the Agreement outlines provisions for employee profit-sharing, which will be determined based on the Company's performance relative to its established goals as determined by the Company's Board of

Directors for each relevant year, subject to approval by both the Company's Compensation Committee and Board of Directors. The employee profit-sharing budget will start at 500,000 NIS for achieving 96%-96.99% of the Company's targets and will reach up to 8,000,000 NIS for achieving 110% or more of the Company's targets. Additionally, the Company has pledged to protect its assets throughout the Agreement period, and only in the event of specific, layoffs or downsizing, the consent of the employees' representatives will be sought. The Histadrut promised to maintain peaceful industrial relations throughout the entire period of the Agreement.

The expected cost of the arrangements included in the agreement (not including the cost of employee participation in the Company's future profits) stands at approx. NIS 20 million for 2022, and approx. NIS 42 million for 2023 and 2024 combined. In addition, the Company is subject to various labor laws and practices, as well as orders extending certain provisions of collective bargaining agreements between the Histadrut and the Coordinating Bureau of Economic Organizations, the federation of employers' organizations. Such laws, agreements and orders cover a wide range of areas and impose minimum employment standards including, working hours, minimum wages, vacation and severance pay, and special issues, such as equal pay for equal work, equal opportunity in employment, and employment of women, youth, disabled persons and army veterans.

Additionally, the provisions in the 2022 Agreement regarding pay raises and participation in the Company's profit-sharing mechanism were valid for a period of only one year, and it was determined that negotiations would be renewed on a yearly basis for 2023 and 2024, towards the end of each previous year. In July 2022, an agreement was reached as stated regarding the year 2023.

15.5. **Employee Compensation Plans**

15.5.1. Performance-based compensation for employees - as part of their salary package, the Company employees receive a variable incentive scheme based on achieving targets, which is tied to both the Company's overall performance and their personal performance (in the form of monthly or quarterly commissions, or an annual bonus).

15.5.2. Capital compensation for employees - for further details regarding capital compensation for employees, officers, and service providers, see Note 20 of the Financial Reports dated December 31, 2022.

15.5.3. Officers' compensation policy - on October 20, 2022, the General Meeting of the Company's shareholders approved, following the recommendation of the Compensation Committee and approval of the Company Board of Directors, the officers' updated compensation policy, which will remain in effect for a period of three years from the date of its approval at the General Meeting, i.e., until October 19, 2025.

16. **Suppliers**

The Company has agreements with many suppliers for buying communication equipment, information systems, content services, end-user equipment, etc.

16.1. **Major Procurement Suppliers**

The Company sees it as a major supplier if its annual purchases from it exceed 10% of the Company's total annual purchases. Therefore, Samsung and Apple are the Company's major procurement suppliers in 2022. Partner receives cellular phones, electronic products, replacement parts, and accessories from Samsung and Apple, with the volume of goods provided being determined by the level of accumulated activity and the total amount of orders placed with them in the Report year. Samsung and Apple together account for approximately 37% of the Company's procurement orders.

16.2. **Dependency on Suppliers**

The Company depends on a small number of suppliers and subcontractors for crucial equipment and services, as detailed below. If these suppliers and subcontractors fail to deliver necessary services, sufficient supplies of network equipment, handsets, and other devices, or maintenance support on time, it could negatively impact the Company's operations and the quality of its services. Additionally, in certain cases, the termination of contracts with suppliers and subcontractors may result in the revocation of the Company's licenses due to non-compliance with licensing requirements. For details regarding the Company's reliance on suppliers, see Section 26.3.3 below.

The Company's estimates regarding the impact of any service and/or equipment supply disruptions by its suppliers and subcontractors constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section *Error! Reference source not found.* ***below.***

16.2.1. Suppliers for the Cellular Network

Before 2019, the Company obtained network equipment such as branded equipment, cell sites, base transceiver stations, and network software from Ericsson. In 2019, the Company made a strategic decision to enter into an agreement with Mavenir to replace and upgrade its EPC and IMS systems.

Today, the Company's core cellular network consists mainly of components from Mavenir and Ericsson; the cell sites under PHI's responsibility are Ericsson's.

In January 2023, the Company signed a Memorandum of Understanding (MoU) according to which, Ericsson will replace the current supplier for the cellular network core and provide a 5GSA system. After the roughly 15-month project is completed, Ericsson will become the primary supplier for the Company's 2G/3G/4G/5G cellular network. As per the MoU, the parties have to agree on a deadline

for reaching a detailed agreement. As of the Report publication date, the deadline is on May 16th, 2023. If the parties do not come to a detailed agreement within until the deadline the MoU will no longer be effective.

The Company continues to purchase certain network components, for cellular, fixed-line and ISP services, from various other key suppliers. For example, Juniper Networks provides the Company with solutions for ISP and MPLS network segments.

16.2.2. Handset and other Equipment Suppliers

The Company entered into a non-exclusive agreement with Apple effective April 1, 2021, for the purchase and resale of iPhone handsets in Israel for a three-year period. According to the agreement, the Company undertook to purchase a minimum quantity of iPhone devices each year, and to promote and sell them to their customers in accordance with the terms of the agreement. During 2022, it purchased the majority of its handsets from Apple and Samsung. The Company also purchase handsets and other equipment, including tablets and laptops, from other vendors.

16.2.3. Suppliers for TV Content and Equipment

In 2017, the Company partnered with Netflix, the world leading internet entertainment network, to make its services directly accessible through its TV service. All of Partner's TV set-top boxes come with an open content platform that enables the download of external content applications. The collaboration with Netflix enables a unique access through the Partner interface itself, via deep links, to specific content within Netflix.

Additionally, the Company has agreements with content providers, including sports content providers such as ONE and Charlton channels, and sports channels from the RGE Group. Furthermore, the Company has contracts with suppliers regarding television equipment and service delivery.

16.2.4. Suppliers for the Fixed-Line Network

The Company uses independent infrastructures to connect business and private customers. Additionally, a significant portion of its end customers are connected to infrastructures owned by Bezeq, while others are connected to HOT's infrastructures. All of these customers use the Company's ISP network for internet connectivity.

There are direct links between the major operators in the country. The links to smaller providers are made through the Israeli IIX network.

For international connectivity, the Company uses submarine fibers, which were laid by Tamares Telecom Ltd, TI Sparkle Israel (formerly Med Nautilus), and as of 2023 also through Bezeq International's cable.

The Company has 3 central points of presence (POPs) abroad - in Frankfurt, Marseille and London. The international links connect the Company's foreign PoPs to its central sites in Israel - in Rehovot and Rosh Ha'ayin. The foreign PoPs are connected to various internet suppliers that are switched periodically according to technical and economic needs.

Dialogic Inc and Broadsoft Inc supply the Company with switches for the fixed-line telephony services based on Internet Protocol ("VoIP") and circuit switched calls.

16.2.5. Suppliers for the Fibers Network

The company deploys its fiber network by utilizing physical infrastructures (underground conduits and aerial network infrastructure) of Bezeq, according to the instructions of the service portfolio of the Ministry of Communications regarding "use of physical infrastructures". The Company pays Bezeq a fee for the use of the physical infrastructure, as per the rates set in the Communications Regulations (Telecommunications and Broadcasting) (Use of the Public Telecommunications Network of NIO), 2014.

To deploy its fiber network, the Company buys equipment from suppliers that provide different communication equipment. For the passive network (GPON), the Company purchases from the supplier Adtran, and for the active network (Active ETH), the Company purchases from the suppliers Juniper, CTS, and RAD. For further details regarding the GPON network see Section 8.1.4 above.

Furthermore, according to the agreement between the Company and Bezeq, starting from January 1st, 2023, Bezeq provides the Company with the rights to use Bezeq's fiber infrastructure. For further details regarding the Company's agreement with Bezeq see Section 23.9 below.

16.2.6. Service and Sale Suppliers

The Company has several agreements with various suppliers for outsourced call center services, which include, among other things, the operation, management, and running of customer service and sales centers. Usually, service and sales agreements with suppliers are signed for short-term periods of two years. The agreement includes an option for automatic extension for an additional 12 months each time, and it also provides the possibility to terminate the agreement by written notice. Outsourced call center suppliers provide the human capital that provides service to the Company's customers, including their training and employment conditions. On the other hand, it is the Company that provides the system used for customer services. These agreements contain provisions regarding information and security, access to information, privacy, and confidentiality.

17. Working capital

The Company's working capital includes, among other things, customer credit and supplier credit, as follows:

17.1. **Data on the Company's working capital, in NIS millions:**

17.2. **Customers**

	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022
Current assets	1,496	1,489	1,574
Current liabilities	1,334	1,422	1,386
Surplus current assets to current liabilities	162	67	188

The Company's standard customer agreements with most of its private customers do not include commitment periods. Some of its business customers that have more than 100 cellular subscribers enter into an agreement with a commitment period of up to 36 months, regarding the transaction carried out on a monthly invoice, and every month, customers are obligated to pay charges for each service provided to them.

Its customers pay for the Company's services by credit card or by direct bank debit. All credit card accounts are subject to an initial maximum credit limit each month, which varies depending upon the type of credit card and for which a prior approval from the card issuer is obtained. When a customer account reaches this limit, the Company may seek approval from the card issuer. If the card issuer does not grant the approval, the Company may require the customer to provide other means of payment or arrange an increase in the approved limit from his credit card issuer. If this does not occur, the customer's usage may be limited or suspended, after receiving a prior notice of such limitation or suspension.

The majority of the Company's customers opt for payment plans when purchasing end-user equipment devices. This entails making monthly payments (typically spanning 12 to 36 months), which are charged to the customer's credit card or bundled into their monthly invoice. If customers choose to pay their monthly installments through their monthly invoice, the outstanding payments are not secured, which exposes the Company. The purchase of equipment, through the monthly invoice, is subject to receiving confirmation from credit agencies in accordance with the Credit Data Law, 2016. Throughout 2022, the Company revised its credit scoring review process, which included adjustments to ensure customers are eligible for long-term financing plans.

17.3. **Credit from Suppliers**

The Company receives credit from suppliers for varying periods, according to agreements with the different suppliers.

Below is data on supplier credit and customer credit in 2020, 2021 and -2022:

	2020		2021		2022	
	Credit in NIS millions	Average credit days	Credit in NIS millions	Average credit days	Credit in NIS millions	Average credit days
Customers, for sale of end-user equipment (*)	547	256	554	243	508	255
Customers for services (*)	245	28	262	28	286	29
Suppliers	666	100	705	99	694	102

(*) Net of doubtful debts.

18. **Investments**

For details regarding the Company's investments in networks, including its investments in PHI see סעיף 13.2**Error! Reference source not found.**.

19. **Financing**

The Company finances its activities mainly through the cash flow from operating activities, loans from banking corporations and banking corporations and through the issuance of bonds.

19.1. **Average and Effective Interest Rates**

Below are details regarding the average and effective interest rates on the Company's long-term loans and debentures (including current maturities) that are in effect, or were in effect in 2020, 2021, and 2022, which are not designated for unique use by the Company, while distinguishing bank credit sources and off-bank credit sources:

2022			2021			2020					
Balance at end of year	Effective interest	Average interest	Balance at end of year	Effective interest	Average interest	Balance at end of year	Effective interest	Average interest	Type of interest and the change mechanism	Currency/ Linkage	Financing source
184	3.54%	3.54%	236	2.53%	2.52%	138	2.35%	2.34%	Fixed	Unlinked NIS	Bank
1,220	3.28%	3.27%	1,433	3.36%	3.35%	1,336	2.99%	2.98%	Fixed	Unlinked NIS	Off-bank sources
-			-	1.22%	1.21%	109	1.32%	1.31%	Zero-Coupon Bond Linked	Unlinked NIS	Off-bank sources
1,404	3.17%	3.17%	1,669	3.14%	3.14%	1,584	2.73%	2.72%	Total liabilities		

19.2. **The Company's Debentures**

Currently debentures Series F to H issued by the Company are in circulation (the "Debentures").

For information about the Debentures, see Section 6 of the Board of Directors' Report and Note 15 to the Financial Statements.

19.3. **Loans Received from Banking Corporations**

19.3.1. Loan P: In December 2017, the Company received long-term credit from a banking corporation in the amount of NIS 125 million. The loan bears a fixed interest rate of 2.38% per annum and is payable in quarterly installments over a period of 5 years. The principal is paid in quarterly equal payments commencing in December 2018 and until the final repayment date dated December 25, 2022.

19.3.2. Loan Q: In December 2017, the Company received long-term credit from a banking corporation in the amount of NIS 125 million. The loan bears a fixed interest rate of 2.5% per annum and is payable in quarterly installments over a period of 6.5 years. The principal is paid in quarterly

equal payments commencing March 2019 and until the final repayment date which is scheduled on June 25, 2024.

19.3.3. Loan R: In December 2021, the Company received long-term credit from a banking corporation in the amount of NIS 150 million. The loan bears a fixed interest rate of 2.55% per annum and the loan principal is payable in five annual installments: NIS 30 million due in June 2025, NIS 15 million due in June 2026, NIS 30 million due in June 2028-2029, and NIS 45 million due in June 2030, which is the final repayment date. The principal bears fixed annual interest of 2.55%, payable on June 30 and December 31 of each year.

19.3.4. The above loans are not secured by securities but include the Company's commitment to refrain from pledging assets from its property subject to certain exceptions specified in the agreements, as well as limitations on the distribution of profits and the obligation to comply with financial conditions that generally apply also to the Company's obligations to its bondholders as detailed below.

19.3.5. As of December 31, 2021, and December 31, 2022, the outstanding loan balance (including current liabilities) from banking corporations stood at approximately NIS 236 million and NIS 184 million, respectively.

19.4. **Restrictions on Procuring Credit**

For details regarding the Company's undertakings to comply with financial covenants, restrictions on distribution, and other restrictions set forth in the deeds of trust for the Debentures (Series F) to (Series H) issued by the Company and not yet repaid, see Note 19 to the Financial Statements.

As of the date of approving the annual financial statements and as of the Report publication date, the Company is in compliance with all financial covenants and other restrictions described above.

19.5. **Guarantees**

For details of the guarantees the Company has provided, see Note 17 to the Financial Statements.

19.6. **Credit Rating**

As of the publication date of the Report, the Company's Debentures (Series F) to (Series H) are rated ilA+ Stable by Standard & Poor's Maalot Ltd. ("**Maalot**"). For further details regarding the ratings, see Section 14 of the Board of Directors' Report.

19.7. **Raising Additional Sources**

The Company estimates that its liquidity and capital sources shall be sufficient for financing its current cash need, including investments and repayment of debts in the forthcoming year. The company raises funds from

time to time for its cash flow management needsץ The Company's financing options include: raising debt through new loans from banking corporations and/or through private debt issuance and/or issuing bonds.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The Company's estimate is based on many factors, including its revenues, the timing and size of investment in marketing and customer retention efforts, expanding its sales and marketing activity and the timing of launching new products or improvements to existing products, the timing and size of investment in networks and services and any decision regarding dividends distribution. The Company's estimate could not materialize, materialize only in part, or materialize differently than the Company estimated, should there be any change in the above-described factors.

20. **Taxation**

For details regarding tax laws that apply to the Company and the Company's tax assessments, see Note 24 to the Financial Statements.

21. **Environmental Risks and Management Thereof**

The Company works to protect the environment and mitigate its negative impact on the environment and the landscape. The Company dedicates human resources, money, and technologies to minimizing its ecological footprint, including by way of efficient deployment of infrastructures, recycling electronic components, reducing use of paper through efficient printing, reducing pollutant emissions, collecting used batteries, sending the monthly statement and other customer correspondences via email or SMS, using environmentally friendly raw materials, waste separation and purchasing electricity from a natural gas-based private powerplant.

The Company operates according to the Non-Ionizing Radiation Law, 2006, and to safety permits from the Ministry of Environmental Protection given for all transmission sites operated within its communication network. The company conducts annual practical tests on its communication sites in accordance with the guidelines of the Ministry of Environmental Protection to ensure that the sites comply with the safety permits issued to them

21.1. **Permits of the Ministry of Environmental Protection**

On January 1, 2006, the Non-Ionizing Radiation Law (5766-2006), which replaced the Pharmacists (Radioactive Elements and Products) Regulations, 1980 regarding matters that pertain to radiation from cellular sites, was enacted. The Non Ionizing Law defines the various powers of the Ministry of Environmental Protection as they relate, among others, to the grant of permits for network sites and sets standards for permitted levels of non-ionizing radiation emissions and reporting procedures. Pursuant to this law, a request for an operating permit from the Ministry of Environmental Protection with respect to either new sites or existing sites would require a building permit for such sites, insofar as a building permit is legally required. The Ministry of Environmental Protection has adopted the International Radiation Protection Agency's standard as a basis for the consents it grants for the erection and operation of antennas. This standard is an international standard based upon a number of years of scientific study.

Shall the Company continue to face difficulties in obtaining building permits from the local planning and building committee, it may fail to obtain also operation permits from the Ministry of Environmental Protection. Operation of a network site without a permit from the Ministry of Environmental Protection may result in criminal and civil liability to the Company or to its officers and directors.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The main facts and figures the Company used as a basis for the above estimates come from its experience over the years and its knowledge accumulated with respect to site sites construction and licensing. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

21.2. **Local Building Permits**

According to the Planning and Building Law, 1965, the Company is required to obtain a building permit for some of the antennas it erects. The local committee or local licensing authority in each local authority is authorized to grant building permits, provided such permits are in accordance with National Outline Plan No. 36A which came into effect on June 15, 2002. The local committee is made up of members of the local city council.

The local committee examines the manner in which an application for a building permit conforms to the national outline plan. The local committee is authorized to employ technical, vista, and aesthetic considerations in its decision-making process. In addition, the local committee examines whether the facility has obtained all the required approvals by law for its approval, including approval from the Ministry of Environmental Protection, approval from the Civil Aviation Authority, as well as approval from the IDF.

On January 3, 2006, the National Council for Planning and Building added a new requirement for obtaining a building permit for network sites: the submission of an undertaking to indemnify the local committee for claims relating to the depreciation of the surrounding property value as a result of granting an antenna erection permit. For details regarding the National Outline Plan No. 36 see Section 21.4 below.

A decision by a local committee not to grant a building permit may be appealed to the District Appeals Committee. A decision by the District Appeals Committee may be appealed to the District Court sitting in its appellate capacity, by filing an administrative appeal.

21.3. **Building Permit Exemption**

Wireless access facilities are exempt from obtaining a building permit if they are constructed according to the terms of the Telecommunications Law and Section 266C of the Planning and Building Law and its regulations (the "**Exemption**").

Since January 2022, the exemption permit for wireless access facilities in cellular networks was cancelled and replaced by an amendment to the Planning and Building Law of 1965. The amendment permits the

establishment of larger telecommunication facilities without a permit, subject to the conditions specified in the amendment.

21.4. **National Outline Plan No. 36 A**

National Outline Plan No. 36A, which came into effect on June 15, 2002, regulates the establishment of cellular communication facilities in Israel and adopts the radiation emission standards set by the International Commission on Non-Ionizing Radiation Protection, which were adopted by the Ministry of Environmental Protection. The Company's network sites comply with these standards.

The National Outline Plan No. 36 contains various provisions, among other things, for the establishment of communications facilities that allow coverage of wireless telecommunications transmission and reception throughout the country, while preventing radiation hazards and minimizing damage to the environment and landscape. National Outline Plan No. 36 specifies the considerations that planning authorities are required to take into account when issuing building permits for cellular communication sites. National Outline Plan No. 36 sets out the situations where the public must be informed before a communications facility building permit can be granted. This is in accordance with the Planning and Building Law, and allows the public to submit objections if necessary.

After a number of years following the approval of National Outline Plan 36, the National Council began promoting a planning process to amend the plan. The proposed amendment was approved by the National Council. However, the amendment also requires government approval according to the provisions of the Planning and Building Law, and thus far the government has not approved the amendment. The proposed amendment tightens the conditions for obtaining building permits for communications facilities and increases the discretion of planning authorities to reject requests for such permits.

As part of the proposed amendment to the National Outline Plan 36, various licensing routes were established, each with a different required level of indemnification. If a permit is granted through the expedited licensing route for small installations that meet the proposed plan criteria, cellular companies will be required to compensate local planning committees for 100% of any decrease in property value. If a permit is granted through the regular licensing route for large installations that meet the proposed plan criteria, cellular companies will be required to compensate local planning committees for 80% of any decrease in property value. The proposed plan is subject to governmental approval, in accordance with the Planning and Building Law. It is yet unknown whether and when the government intends to approve the proposed plan.

On January 3, 2006, the National Planning and Building Council made a decision under the Non-Ionizing Radiation Law. They decided that until the amendment to National Outline Plan 36 regarding licensing routes is approved, cellular companies must commit to indemnify the planning and building committees for 100% of the compensation paid for claims of devaluation resulting from the approval of communications facilities. Thus, at present, in order to obtain a building permit for a new or existing network site, the Company shall commit to fully indemnify for the property devaluation.

If amendments will be made in the National Outline Plan 36 that add new limitations and requirements to the process of building and operating cell sites, it could negatively impact the Company's ability to construct new communications facilities. This could make the licensing process more difficult and costly, and delay the deployment of future technologies.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. These estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

21.5. **Other Approvals**

The erection of the antennas may be subject to the approval of the Civil Aviation Administration which is authorized to ensure that their construction, height and locations do not interfere with air traffic. The approval of the Israeli Defense Forces is required in order to coordinate site frequencies so that the Company's transmissions do not interfere with the communications of the Israel Defense Forces.

The Company, like other cellular operators in Israel, provide bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the planning and building authorities, and in light of the practice of the other cellular operators, there has not been requested permits under the Planning and Building Law for the repeaters. However, the Company has received from the Ministry of Communications an approval to connect the repeaters to its communications network. In addition, the permits that are necessary for the repeaters have been received from the Ministry of Environmental Protection.

If it will be determined that the installation of the mentioned amplifiers requires a building permit, the Company then would examine the economic feasibility of applying for permits for the existing amplifiers versus the possibility of their removal, as well as the feasibility of installing additional amplifiers.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. These estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

In addition, the Company constructs and operates microwave antennas as part of its telecommunications network. The various types of microwave antennas receive permits from the Ministry of Environmental Protection in respect of their radiation level. Based on the exemption previously determined for wireless access facilities, building permits were not required for the installation of most microwave antennas on rooftops. If in the future, the relevant courts or regulator determine that building permits are required for the installation of

such facilities, this decision could have a negative impact on the coverage, quality, and capacity of the network, and could impair the Company's ability to continue to market its telecommunications services efficiently.

The Company has an approval from the MoC for selling and distributing all of the handsets and other terminal equipment it sells. The Ministry of Environmental Protection also has authority to regulate the sale of handsets in Israel, and under the Non-Ionizing Radiation Law, certain types of devices, which are radiation sources, including cellular handsets, have been exempted from requiring an approval from the Ministry of Environmental Protection so long as the radiation level emitted during the use of such handsets does not exceed the radiation level permitted under the Non-Ionizing Radiation Law. Since June 2002, the Company has been required to provide information to purchasers of handsets on the Specific Absorption Rate ("SAR") levels of the handsets as well as its compliance with certain standards pursuant to a Consumer Protection Regulations (Information regarding Non-Ionizing Radiation from a Cellular Phone), 2002. A brochure is attached to each handset that is sold that includes the SAR level of the specific handset. These brochures are also available at the Company's service centers and the information is also available on its website. SAR levels are a measurement of non-ionizing radiation that is emitted by a hand-held cellular telephone at its specific rate of absorption by living tissue. The marketed handsets comply with the applicable laws that relate to acceptable SAR levels. The Company relies on the SAR published by the manufacturer of these handsets and do not perform independent inspections of the SAR levels of these handsets. As the manufacturers' approvals refer to a prototype handset and not for each and every handset, the Company has no information as to the actual SAR level of each specific handset and throughout its lifecycle, including in cases of device repair, as the Company informs its customers that in such event, there may be changes in the SAR level.

21.6. **Material Events or Matters Relating to Environmental Protection**

At the Report date, to the best of the Company's knowledge, it is not exposed to any material events or matters related to environmental protection, unless otherwise stated.

21.7. **Material Legal or Administrative Proceedings Relating to Environmental Protection**

As of the Report date, to the best of the Company's knowledge, it is not exposed to material legal or administrative proceedings relating to environmental protection, except as described above.

21.8. **The Company's Environmental Risk Management Policy**

The Company operates in accordance with the strict requirements of the ISO 14001 environmental management standard, the ISO 9001 quality management system, and relevant regulatory requirements.

22. **Limitations and Control on the Company's Activity**

Below are details on laws, regulations, instructions and other matters that are subject to regulatory control, which are considered material to the Company's activity, including reference to legislative or regulation initiatives which to the best of the Company's knowledge are in various stages of legislation or regulation stages, but it is uncertain if or when

they shall be enacted and if enacted, there is no certainty regarding the final language of the provisions of the law or the license on matters described.

General

The Israeli telecommunications market is characterized by high regulatory involvement in the affairs of companies operating in this area. A substantial part of the Company's operations is subject to the provisions of the Telecommunications Law, the Telegraph Ordinance, regulations promulgated by the Ministry of Communications, and the provisions of licenses issued to the Group by the Minister of Communications. According to the Telecommunications Law and the Telegraph Ordinance, the supply of certain telecommunications services in Israel is contingent upon obtaining a permit and allocation of frequencies to such services.

In addition, the Company's activity is subject to the laws that govern its relationships and manner of engagement with its customers. These provisions include, among other things, the Consumer Protection Law, as well as specific provisions to its area of activity, as stated below.

The Company's activity is also subject to the general provisions of law, including contract law, securities law, import and customs law, standardization, accessibility, labor law, competition law and business licensing.

22.1. **Telecommunications Law**

22.1.1. The Telecommunications Law

Under the Telecommunications Law, providing cellular services, fixed-line telephone services, international telephone services, and connectivity and infrastructure services, requires a license or registration in the registry managed under Section 4a(1) of the Telecommunications Law. For details regarding the Cellular license and the unified licenses granted to the Company under the Telecommunications Law, see Section 22.2 below.

The interpretation of the Telecommunications Law and the regulations promulgated thereunder are uncertain and subject to changes. The Telecommunications Law and its regulations grant the Ministry of Communications vast regulatory powers over the Company's activity, by virtue of the licenses. The Ministry of Communications can alter the Company's licenses without its consent, thus limiting the Company's freedom to conduct its business and impacting the results of its operations. Frequent changes to the licenses or legislation, or changes made at a timetable the Company cannot meet, increase the risk of noncompliance with the Company's license terms or the risk of being in breach of the law, and consequently, the Company's exposure to lawsuits and regulatory sanctions. The Ministry of Communications can impose material sanctions if the relevant licenses, laws, or regulations are breached, and revoke the licenses if the Company commits material breach of their terms.

The Company's estimates regarding the changes in licenses and/or regulation by the Ministry of Communications constitute a forward-looking information within its meaning of the Securities

Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

In January 2022, Amendment No. 76 of the Telecommunications Law was published, whereby the licensing duty for most actions of establishing and providing telecommunications services shall be cancelled. The area shall be regulated through a "general permit", whereby parties that wish to provide basic services may do so subject to certain terms and to prior registration with the Ministry of Communications. Regulation of activity under the general permit shall be carried out by way of retroactive supervision and enforcement. Key services, such as cellular infrastructure, fixed-line infrastructures, operating an access network with a minimum number of users, shall still be subject to a license. A license will also be required for service provision by a local authority, municipal corporation, and so on. The Company estimates that the law is expected to lower barriers to entry for competitors and could increase competition in the market. Furthermore, the change could create gaps between regulation that applies to license holders (including consumer protection regulation) and regulation that applies to competing service providers that operate pursuant to the permit, and gaps in the level of regulation and enforcement on different competitors, but it could include changes that make it easier for the Group to adopt technological changes and new business models. Such gaps could affect the Company's competitive position.

On October 2, 2022, the General Permit Regulations were published in the records, and under the General Permit Regulations, the manner of registration in the registry and the conditions of the General Permit Document that will apply to basic services providers registered in the registry were regulated. According to the wording of the regulations, the provisions therein shall not apply to existing telecommunications licensees, and therefore the Company's main activity shall not be subject to registration in the registry, but rather remain subject to the licenses. According to the Explanatory Notes of the regulations, the Ministry of Communications intends to map out the existing licenses and actively cancel the provisions explicitly stipulated in the regulations. As of the date of publication of this Report, this process has not yet been completed in the first quarter of 2023. The majority of provisions in the Regulations have lenient arrangements regarding existing licenses, but there are some provisions that impose additional burdens with respect to the requirements specified in those licenses. These burdensome Regulations require, among other things, that internet service providers disconnect "dormant subscribers" - those who continue to pay for the service without using it - if they have not used the service for six months. Additionally, the Regulations require providers to inform subscribers of their right to receive a copy of any call they have made with customer service representatives and provide that copy to the subscriber within five business days. In general, even if these obligations are imposed on the Company, it is not

expected to have a significant impact on it. However, the impact of the transition to a general permit depends, among other things, on the implementation of this process by the Ministry of Communications and, in particular, on the wording of the expected license amendments as part of the transition implementation.

According to the Telecommunications Law, in the event that a hosting provider and guest do not reach an agreement on the terms of providing hosting services, the Minister of Communications is authorized to intervene in the terms of the agreement, including by determining the price to be charged for the services. Unfavorable terms and consideration for the Company may have a material negative impact on its operational results.

Additionally, the Ministry of Communications is authorized to issue instructions regarding telecommunication service tariffs in cases of unreasonable or anti-competitive payments. These instructions may be based on a cost-plus-profit analysis or based on benchmarking with other license holders, similar services, or interconnection tariffs in other countries. In addition, the Minister of Communications is authorized to provide instructions regarding the separation of payment for a specific telecommunications service from payment for a bundle of services. Furthermore, the Company's licenses specify the types of payments that the operator is authorized to collect, and there is a specific arrangement regarding certain services.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The Company cannot estimate whether such changes will occur and to what extent they will affect the its operations. The Company's estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.1.2. <u>The Telegraph Ordinance</u>

The Telegraph Ordinance governs the use of the electromagnetic spectrum, and applies, among other things, to the Company's use of radio frequencies in its infrastructure. Setting up and operating a system that uses radio frequencies requires a license according to the Telegraph Ordinance, and the use of radio frequencies is subject to designating and allocating a suitable frequency. The Telegraph Ordinance imposes licensing fees and frequency designation and allocation fees. Because of the current shortage of radio frequencies for public use in Israel (including because many frequencies are allocated to military use), the Ministry of Communications limits the number of licenses to use frequencies and incentivizes efficient use thereof. Because of the above shortage of frequencies, the Ministry of Communications allows cellular network sharing between the operators.

Under the Telegraph Regulations, the Company is obliged to pay an annual fixed fee for each band of frequencies used. As a result of the 5G frequency tender, amendments were made to the Telegraph Regulations. At the same time, a reduction in frequency fees for existing frequencies was carried out, subject to certain conditions and for a limited period of time. Furthermore, fees were introduced for the new frequencies acquired through the tender. Under the above regulations shall the Company choose to return a frequency, such payment would no longer be due. For the years 2020, 2021 and 2022, the Company recorded frequency fee expenses in a total amount of approximately NIS 75 million, NIS 66 million and NIS 65 million, respectively.

22.2. **License from the Ministry of Communications**

On April 7, 1998, the Ministry of Communications granted the Company a general license to establish and operate a mobile telephone network in Israel as well as offer roaming services outside the State of Israel.

Under the terms of the license, on September 10, 2020 the Company provided a NIS 5 million (USD 2 million) guarantee to the State of Israel to secure the Company's adherence to the terms of the license. The guarantee is effective until February 1, 2034.

The license stipulates the allocation of frequencies (following the Company's winning of frequency tenders) as well as defining specific spectrum limits.

22.2.1. The License Term

In November 2021, the license, which was first issued in 1998 by the Ministry of Communications, was renewed for another period of ten years until February 2032.

At the end of this period, the license may be extended for additional ten-year periods upon the Company's request to the Ministry of Communications, and its approval that it has met the following performance requirements:

22.2.1.1. observing the provisions of the Telecommunications Law, the Telegraphy Ordinance, the regulations and the provisions of our license;

22.2.1.2. acting to continuously improve the Company's mobile telephone services, their scope, availability, quality and technology, and that there has been no act or omission harming or limiting competition in the mobile telephone sector;

22.2.1.3. the Company has the ability to continue to provide mobile telephone services of a high standard and to implement the required investments in the technological updating of its systems in order to improve the scope of such services, as well as their availability and quality; and

22.2.1.4. using the spectrum allocated to the Company efficiently, compared to alternative applications.

The Company believes that it will be able to receive an extension to the license upon request.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. These estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

The Company's license may also be cancelled, limited, suspended or altered by the Ministry of Communications shall the Company fail to uphold its obligations under the Telecommunications Law, the Wireless Telegraphy Ordinance or regulations thereof, or shall the Company commit a substantial breach of the license conditions. Examples of the principal undertakings in the Company's license in this regard are:

22.2.1.5. The Company has illegally ceased, limited or delayed any one of its services;

22.2.1.6. Any means of control in the Company or control of the Company have been transferred in contravention of the license;

22.2.1.7. The Company fails to invest the required amounts in the establishment and operation of the mobile radio telephone system in accordance with its undertakings to the Ministry of Communications;

22.2.1.8. The Company harmed or limited competition in the area of mobile radio telephone services;

22.2.1.9. A receiver or temporary liquidator is appointed for the Company, an order is issued for its winding up or the Company has decided to voluntarily wind up; or

22.2.1.10. Partner, an Office Holder in Partner or an Interested Party in Partner or an Office Holder in an Interested Party of Partner is an Interested Party in a competing cellular operator or is an officer in a competing cellular operator or in an interested party in a competing cellular operator, without first obtaining a permit from the Ministry of Communications to do so or has not met one of the conditions included in such permit.

The Company's license allows the Company, on a non-exclusive basis, to establish and operate a mobile telephone network in Israel. The Ministry of Communications amended the license in August 2020 to include the provision of 4G and 5G services in the 700, 900, 1800, 2100, 2600 and 3500 MHZ band of frequencies and to allow us access network sharing with HOT Mobile, another cellular operator, within PHI.

License Conditions

According to the Company's license:

22.2.1.11. The Company must at all times be registered in Israel.

22.2.1.12. The founding shareholders and (or their substitutes that have been approved by the Minister of Communications) shall hold, in the aggregate, at least 26% of each of the Company's means of control (the "**Founders' Holdings**").

22.2.1.13. Until February 2021, the Cellular license of the Company required that at least 5% of the Founders' Holdings be held by Israeli citizens or residents approved by the Minister of Communications (known as the '**Israeli Requirement**') and that they appoint at least one director to the Board of Directors. On July 7, 2020, the MoC published an amendment to the Cellular license which stipulates that the Israeli Requirement shall not apply if an alternative order has been given to the Company at the request of the Security Services, in accordance with Section 13 of the Telecommunications Law (Telecommunications and Broadcasting). During February 2021, the Company was given an order in accordance with Section 13 as stated. Furthermore, as part of a license amendment dated April 10, 2022, the Ministry of Communications clarified in the section relating to 'Israeli and Founders (or their substitutes') Holdings' that the ownership of 'shares by founders or their substitutes' will not include those who are an 'Israeli entity' in cases where an alternative order has been issued to the licensee, in accordance with Section 13 of the Telecommunications Law as mentioned.

22.2.1.14. Matters relating to national security shall be dealt with only by a Board of Directors' committee that has been formed for that purpose. The committee will consist of 4 members, one of whom will be an external director. All the committee members shall have a Shin Bet clearance. Resolutions approved by this committee shall be deemed adopted by the Board of Directors.

22.2.1.15. The Ministry of Communications shall be entitled to appoint an observer to the Board of Directors and its committees, subject to certain qualifications and confidentiality undertakings.

22.2.2. Contracting with Customers

The Company has a standard agreement with customers which is subject to the Ministry of Communications, as the Company's license stipulates.

22.2.3. Tariffs

The Company's license requires it to submit to the Ministry of Communications information regarding its tariffs (and any changes in the tariffs) before they enter into effect. The Company is permitted to set and modify tariffs without requiring approval from the Ministry of Communications, according to the terms of the license. However, the Ministry of Communications may intervene in its tariffs if it finds that they are unreasonably harm consumers or competition.

22.2.4. Payments

The Company license specifies the payments it may charge its subscribers. These include one-time installation fees, one-time SIM card payments, fixed monthly payments, airtime fees, payments for the use of other telecommunication systems, and payments for additional services.

22.2.5. Interconnection

The Company's license, like these of Pelephone, Cellcom, and Hot Mobile, requires it to connect its cellular telephone network with other telecommunications networks in Israel. This includes domestic fixed-line operators like Bezeq, as well as other cellular and international operators.

Likewise, it must allow other network operators to interconnect to its network.

22.2.6. Service Approval

The Ministry of Communications has the power to demand that the Company provide information and seek approval for any of its services (including tariff details). In addition, the Company is required to inform the Ministry of Communications prior to the activation of any service on a specified list of services.

22.2.7. Access to Infrastructure

The Ministry of Communications has the power to require the Company, like the other telephony network operators in Israel, to offer access to its network infrastructure to other operators. The Company may also be required to permit other operators to provide value-added services (VAS) using its network.

22.2.8. Coverage Requirement

According to its license, the Company is required to meet certain coverage requirements for its 3G, 4G and 5G services, such as geographic coverage and coverage percentage of the population.

22.2.9. Territory of License

In May 2000, the Company was granted a license from the Israeli Civil Administration, to provide cellular services to the Israeli populated areas in Judea and Samaria. The license is valid until February 1st, 2032. The provisions of the general license described above, including as to its

extension, generally apply to this license, subject to certain modifications. The Company believes that it will be able to receive an extension to the license if it requests one.

The Company's estimates regarding the receiving of an extension to the Israeli Civil Administration license to provide cellular services also to populated areas in the West Bank constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.2.10. Restrictions Regarding the Transfer of the License and Its Assets

The Company may not sell, lease or pledge any asset that is used to carry out the license without the prior approval of the Ministry of Communications. The license does make exceptions to the aforementioned limitations. For example, it allows for the leasing of assets to a recognized banking corporation in Israel, for the purpose of obtaining bank credit, in accordance with the terms of the license.

The license provides that no direct or indirect control of Partner may be acquired, at one time or through a series of transactions, and no means of control may be transferred in a manner which results in a transfer of control, without the consent of the Minister of Communications. Furthermore, no direct or indirect holding of 10% or more of any means of control may be transferred or acquired at one time or through a series of transactions, without the consent of the Minister of Communications. In addition, no shareholder of Partner may permit a lien to be placed on shares of Partner if the foreclosure on such lien would cause a change in the ownership of 10% or more of any of Partner's means of control unless such foreclosure is made subject to the consent of the Minister of Communications. For purposes of the Company's license, "means of control" means any of:

22.2.10.1. voting rights in Partner;

22.2.10.2. the right to appoint a director or CEO of Partner;

22.2.10.3. the right to participate in Partner's profits; or

22.2.10.4. the right to share in Partner's remaining assets after payment of debts when Partner is wound up.

Each of the Company's ordinary shares is considered a means of control in Partner.

In addition, Partner, any entity in which Partner is an Interested Party, as defined below, an Office Holder in partner, as defined below, in Partner or an Interested Party in Partner or an Office Holder

in an Interested Party in Partner may not be a party to any agreement, arrangement or understanding which may reduce or harm competition in the telecommunications sector.

In the event that means of control exceeding 10% are acquired without obtaining prior approval from the Minister of Communications, the Company is required to report this in writing to the Minister of Communications and to submit a request for approval of the transfer of control or their acquisition, as described, within 21 days of learning of the matter by the Company. Moreover, if a shareholder, who is not a founding shareholder, breaches the ownership restrictions or the provisions regarding the acquisition of control, cross-ownership, or cross-control with other telephony network operators, or holding of shares or agreements that may harm competition, their shareholding will be labeled as exceeding the ownership limits and will be converted to dormant shares, as per Section 308 of the Companies Law. This will occur as long as the approval of the Minister of Communications is necessary but not granted, and no rights will be exercised by the shareholder, except for receiving dividends or other shareholder distributions.

Any shareholder who wishes to vote in the General Meeting of the Company's shareholders must notify the Company before the vote, or, if the vote is by written consent, must indicate this in the written consent, if the shareholder's ownership in Partner or the vote of the shareholders requires the approval of the Minister of Communications due to restrictions on the transfer or acquisition of means of control, cross-ownership or cross-control with other mobile network operators or other shareholders. If the shareholder does not provide such certification declaration, his instructions will be invalid and his vote not counted.

The existence of shareholdings which breach the restrictions of the Company's license in a manner which could cause them to be converted into dormant shares and may otherwise provide grounds for the revocation of its license will not serve in and of themselves as the basis for the revocation of its license so long as:

22.2.10.5. the founding shareholders or their approved substitutes of Partner continue to hold in the aggregate at least 26% of the means of control of Partner;

22.2.10.6. the Company’s Articles of Association include the provisions described in this Section 22.2;

22.2.10.7. the Company acts in accordance with such provisions;

22.2.10.8. the Company’s Articles of Association provide that an ordinary majority of the voting power at the General Meeting of Partner is entitled to appoint Partner’s Board of Directors members other than external directors.

The dormant share mechanism does not apply to the Company's founding shareholders.

22.2.11. <u>Revoking, Limiting or Altering the License</u>

The license contains several qualifications that the Company is required to meet. Other eligibility requirements address potential conflicts of interest and cross-ownership with other Israeli telecommunications operators. A failure to meet these eligibility requirements may lead the Ministry of Communications to revoke, limit or alter the Company's license, after it has been given a fair opportunity and has failed to remedy it. For details regarding additional requirements stipulated in the license, see Section 22.2.1. Among other things, a violation of one of the following provisions may result in the revocation, limitation, or suspension of the license:

22.2.11.1. Neither the CEO nor a director of Partner may continue to serve in office if they have been convicted of an offense involving moral turpitude.

22.2.11.2. A trust fund, insurance company, investment company or pension fund that has an interest in the Company is not allowed to: (a) directly or indirectly hold more than 5% of any means of control in a competing cellular operator without obtaining a permit from the Minister of Communications; (b) directly or indirectly hold more than 5% of any means of control in a competing cellular operator in accordance with a permit from the MoC, and in addition, have a representative or appointee who is an Office Holder in a competing mobile radio telephone operator unless required by law to do so; or (c) directly or indirectly hold more than 10% of any means of control in a competing cellular operator, even if it has obtained a permit to hold up to 10% of such means of control.

22.2.11.3. A trust fund, insurance company, investment company or a pension fund that is an Interested Party in a competing cellular operator is not allowed to: (a) hold, either directly or indirectly, more than 5% of any means of control in Partner, without having obtained a permit to do so from the Ministry of Communications; or (b) hold, directly or indirectly, more than 5% of any means of control in Partner in accordance with a permit from the Ministry of Communications, and in addition have a representative or appointee who is an Office Holder in Partner, unless it has been legally required to do so; or (c) hold, either directly or indirectly, more than 10% of any means of control in Partner, even if it received a permit to hold up to 10% of such means of control.

However, in the license amendment published on March 28, 2022, it was determined that a controlling shareholder in the Company that is a trust fund, insurance company, investment company or pension fund (institutional investor), is allowed to hold up to 10% of the means of control in a competing cellular operator under certain conditions (instead of a holding of up to 5% as previously stated). Such a holding can be made without the approval of the Minister of Communications, and with it, the shareholder can hold up to 25% of the means of control in a competing cellular operator under certain conditions if the Minister believes that it will not harm competition in the Cellular area (instead of a holding of up to 10% prior to the license amendment as mentioned above).

22.2.11.4. The Company, an Office Holder in the Company or Interested Party in it, or an Office Holder in an Interested Party of which it is prohibited from being a controlling shareholder, is not controlled by a competing cellular operator, by an Office Holder or an Interested Party in a competing cellular operator, by an Office Holder in an Interested Party in a competing cellular operator, or by a person or corporation that controls a competing cellular operator.

22.2.12. Amendments in the License Terms

Under the Company's license, the Minister of Communications may amend, add to, or remove terms of its license if certain conditions are met, including one of these:

22.2.12.1. A change has occurred in the suitability level of the Company to conduct the actions and services that are the subject of its license.

22.2.12.2. An amendment in the license is required to ensure the level of services provided therein.

22.2.12.3. A change in telecommunications technology justifies an amendment of the Company's license.

22.2.12.4. A change in the electromagnetic spectrum needs justifies, in the opinion of the Minister, changes in the Company's license.

22.2.12.5. Considerations of public interest justify amending the Company's license.

22.2.12.6. change in government policy in the telecommunications sector justifies a modification of the Company's license.

22.2.12.7. A change in the Company’s license is required due to its breach by the Company.

During an emergency period, any authorized entity for the security of the State of Israel may take control of the Company's network in order to ensure the provision of necessary services to the public, and part of the frequency range allocated to the Company may be taken from it. In addition, the Company’s license requires it to supply certain services to the Israeli defense and security forces. Furthermore, certain of the Company's senior officers are required to obtain security clearance from the authorities.

For the purposes of this Section, the following definitions shall apply:

22.2.12.8. “Office Holder” means a person who serves as a director, CEO, General Manager, Vice Chief Executive Officer, Deputy Chief Executive Officer, or another executive position in the Company, even if their title is different, as well as any other senior officer that is directly subordinate to the general manager.

22.2.12.9. "Control" means the ability, directly or indirectly, to direct the activities of a corporation, alone or jointly with others, whether by virtue of the Company's Articles of Association, agreement, either oral or written, by holding means of control in the Company or in another corporation, or which derives from any other source, and excluding the ability derived solely from holding the office of director or any other office in the Any person controlling a subsidiary or a corporation held directly by him will be deemed to control any corporation controlled by such subsidiary or by such controlled corporation. It is presumed that a person or corporation controls a corporation if one of the following conditions is met: (1) such person holds, either directly or indirectly, fifty percent (50%) or more of any means of control in the corporation; (2) such person holds, either directly or indirectly, a percentage of any means of control in the corporation which is the largest part in relation to the holdings of the other Interested Parties in the corporation; or (3) such person has the ability to prevent business decisions in the corporation, except for decisions regarding the granting of means of control in the corporation, or decisions regarding the sale or disposal of the majority of the corporation's business, or a substantial change in them.

22.2.12.10. "Interested Party" means a person who either directly or indirectly holds 5% or more of any type of means of control, including holding as a proxy.

22.2.13. The Company's Permit Regarding Cross Ownership

The Company's license generally prohibits cross-control or cross-ownership among competing cellular operators without a permit from the Minister of Communications. In particular, the Company, an Office Holder or an Interested Party in the Company, as well as an Office Holder in an Interested Party in the Company may not control or hold, directly or indirectly, 5% or more of any mean of control of a competing cellular, radio or telephone operator. The Company's license also prohibits any competing cellular operator or an Office Holder or an Interested Party in a competing cellular operator, or an Office Holder in an Interested Party in a competing cellular operator or a person or corporation that controls a competing cellular operator from either controlling, or being an Interested Party in the Company.

However, the Company's license, also provides that the Minister of Communications may permit an Interested Party in the Company to hold, either directly or indirectly, 5% or more in any of the means of control of a competing cellular operator if the Minister of Communications is satisfied that competition will not be harmed, and on the condition that the Interested Party is an Interested Party in the Company only by virtue of a special calculation described in the license and relating to the holdings that are attributed to the shareholders deemed to be in control of a corporation.

22.3. **Other Telecommunications Licenses**

22.3.1. Unified Licenses

Partner Land-Line Communications Solutions Limited Partnership ("**Partner NIO**"), which is fully owned by the Company, was granted a general-unified license in 2016 for the provision of domestic fixed-line telecommunications services, including VoB services using the infrastructure of Bezeq and HOT Telecom to access customers as well as ILD services, ISP services and end-point services. The license expires in 2027 but may be extended by the Minister of Communications for successive periods of ten years provided that the licensee has complied with the terms of the license and has acted consistently for the enhancement of telecommunications services and their enhancement. The general conditions of the mobile telephone license described above, generally apply to this license, subject to certain modifications.

In addition, the Company also has a general-unified license to provide fixed-line services to the Israeli populated areas in Judea and Samaria which is valid until January 2027. The general conditions of the unified license granted by the Minister of Communications, generally apply to this license, subject to certain modifications.

22.3.2. ISP License

In 2001, the Company received a special license granted by the Minister of Communications, allowing it through its own facilities to provide internet access to fixed-line network customers. The license was revoked in June 2022. The Company is still providing internet access as usual, in compliance with its general licenses (in Israel and Judea and Samaria).

22.3.3. PHI License

In 2015, PHI, the limited partnership in which the Company is a shareholder with Hot Mobile, was granted a special license to provide radio cellular infrastructure services to other license holders, valid until August 2025. The license enables PHI to operate the joint network. PHI was also granted a special license to provide these services to the Israeli populated areas in Judea and Samaria, which is valid until August 2025. For further details regarding PHI see Section 23.5 below.

22.3.4. Electricity License

In October 2021, the Company was granted a license from the Ministry of Energy to supply electricity without means of production. The license is valid until October 2026. In June 2022, the Company entered into a joint venture with Rapac Energy Ltd., with the purpose of purchasing electricity from Noga - Israel Independent System Operator Ltd., and selling it to business consumers with online meters.

22.4. **Other Licenses**

The Minister of Communications has granted the Company a trade license pursuant to the Telegraphy Ordinance. This license regulates issues of servicing and trading in equipment, infrastructure and auxiliary equipment for the Company's network. The Company have also been granted a number of encryption licenses

that permit it to deal with means of encryption, as provided in the aforementioned licenses, within the framework of providing mobile radio telephone services to the public.

22.5. **Communications Facilities Permits**

22.5.1. Building Permits

According to the Planning and Building Law, the Company is required to obtain a building permit for some of the antennas it erects. The local committee or local licensing authority in each local authority is authorized to grant building permits, provided such permits are in accordance with National Outline Plan No. 36. For further details regarding the restriction stipulated by these regulations see Section 21.2 above.

22.5.2. National Telecommunications Outline Plan No. 36

National Outline Plan No. 36 which came into effect on June 15, 2002 regulates the establishment and licensing of communications facilities in Israel. For further details regarding National Outline Plan No. 36, see Section 21.4 above.

22.5.3. Permits of the Ministry of Environmental Protection

For further details regarding the permits of Ministry of Environmental Protection, see 21.1 Section above.

22.5.4. Other Approvals

The construction of the antennas may be subject to the approval of the Civil Aviation Administration which is authorized to ensure that the construction of our antennas does not interfere with air traffic, depending on the height and location of such antennas. The approval of the Israeli Defense Forces is required in order to coordinate site frequencies so that the Company's transmissions do not interfere with the communications of the Israel Defense Forces.

The Company holds approval from the Ministry of Communications for connecting bi-directional amplifiers to its telecommunications network. In addition, the permits that are necessary for the repeaters have been received from the Ministry of Environmental Protection.

In addition, the Company has a permit from the MoC for selling and distributing all of the handsets and other end-user equipment being sold by it. For further details regarding other approvals, see Section 21.5 below.

22.5.5. Construction of Communications Facilities

In order to guarantee and improve coverage for transmission and reception of the wireless network for Company customers, the Company is dependent on communications facilities throughout the

country. The deployment of communications facilities, the manner of construction, and the required permits, are mostly governed by the National Outline Plan No. 36, the Planning and Building Law, and the Non-ionizing Radiation Law. For further details regarding National Outline Plan No. 36 and building permits by its virtue, see Section 21.4 above.

Installing communications facilities requires permits from various government entities, including permit from the Civilian Aviation Authority (in most instances), from the Israel Defense Force (in certain instances), and other individual permits, as applicable. Also, permits must be obtained from the Radiation Commissioner. In some cases, local planning and building committees may require a building permit under the Planning and Building Law (if there is no exemption from the building permit). For further details regarding further approvals which the Company must receive, see Section 21.2 above. Regarding the reform of building permits for the installation of communication facilities, see Section 6.2.5 above.

The Company encountered difficulties in obtaining permits for establishing facilities or for establishing permit exempt-facilities, mainly from local planning and building facilities. Installation and operation of communications facilities without the necessary permits, or not in accordance with the terms of the exemption or not in accordance with the terms set forth in the issued permit may expose the Company, its directors, and employees to civil, criminal, and administrative legal actions. Failure to obtain the necessary approvals and permits could require the termination of the activity of the relevant communications facilities, which could harm the quality and coverage of the cellular network, thus harming the Company's business results. The Company regularly works to obtain the necessary permits, and as necessary, find alternative locations for its sites.

As of the Report date, a fraction of the cell sites operate without a permit and few of the sites operate in a way that is not fully compliant with the building permit pursuant to which they were constructed, although permits were obtained for such sites from the Radiation Commissioner with respect to their radiation levels. The Company and PHI are examining their site licensure in order to enhance their planning arrangement.

The company's estimates regarding difficulties in obtaining building permits and/or establishing sites through exemption from permits, and the potential impact on the quality and coverage of the cellular network, is deemed forward-looking information, as such term is defined in the Securities Law The Company relied on its years of experience and accumulated knowledge of the challenges associated with obtaining building permits and permits from the Radiation Commissioner, as well as its experience in locating alternative sites and the difficulties involved therein, to derive the main facts and data used as the basis for the aforementioned estimates. These estimates could not materialize, or materialize differently, insofar as legislative interference or different adjudication occurs than that known as of the Report publication date, and they are subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.5.6. Summary

The Company estimates that the materialization of any of the following factors could have an adverse effect on its business and financial results: (1) a change in legal requirements regarding construction of communications facilities in a manner that would make construction more difficult including reducing or revoking the exemption from obtaining a building permit for the facilities used for the Company's networks and/or adding conditions making it more difficult to use the exemption; and (2) changes to National Outline Plan No. 36, including additional restrictions and requirements on the process of constructing and operating sites. If one or more of these factors materializes, such could cause, among other things, the following: (i) harm to the continued construction or establishment of networks or dismantling existing communications facilities; (ii) harm to the Company's ability to obtain permits under the Radiation Law for its communications facilities; (iii) harm to the quality and coverage of the Company's networks (especially in urban areas); and (iv) harm to the continued effective marketing of Company services and products, and subsequently - harm to the Company's results.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The main facts and figures the Company used as a basis for the above estimates come from its experience over the years and its knowledge accumulated with respect to site sites construction and licensing. These estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.5.7. Indemnity Undertaking under the Planning and Building Law

According to the Planning and Building Law, local planning and building committees must request, as a condition for granting a cell site building permit, a letter of indemnification against claims for damages in accordance with Section 197 of the Planning and Building Law.[4] The 2021 Permit Exemption also includes a requirement to comply with such provisions. The period in which it is possible to submit claims for damages under the Planning and Building Law is the latter of one year from obtaining the building permit for the site or six months from constructing the site, while the Minister of the Interior is authorized to extend such period. Until the Report date, the Company and PHI have deposited about 410 letters of indemnification as a condition for issuing such building permits.

4 Under Section 197 of the Planning and Building Law, landowners are generally entitled to compensation from the local planning and building committee for any devaluation. f their land resulting from the approval of a plan that affects their land or an adjacent area. However, this entitlement is subject to certain conditions specified in the law.

As a result of requirement to deposit letters of indemnification with local planning and building committees, PHI may disassemble or move communications facilities to less suitable locations or not establish certain communications facilities if it finds that the risk of providing such letters of indemnification exceeds the benefit of constructing such facilities. Such a decision to disassemble or move communications facilities, if any, could harm the quality of cellular services in such places and harm network deployment.

The Company's above estimate is deemed forward-looking information, as defined in the Securities Law, based on the Company's work plan to construct sites in the coming years, and on the Company's knowledge and experience accumulated with respect to finding site locations. The above estimate could not materialize, or they could materialize in part, because of lack of details regarding future claims under Section 197 of the Planning and Building Law, on cellular sites. Furthermore, the Company's estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.5.8. Permits under the Radiation Law

The construction of communications facilities, access facilities, and other transmission facilities, is governed by the Radiation Law. For details on the provisions of the Radiation Law and the required permits under it, see Section 21.1 above.

22.5.9. Non-ionizing Radiation Information Regulations

Cellular services are provided using end-user equipment that emits non-ionizing radiation. Consumer Protection Regulations contain, among other things, duties to provide information. These regulations and the pamphlet issued under them state among others the maximum permissible radiation level for end-user equipment. For further details regarding the restriction stipulated by these regulations see Section 21.5 above.

22.5.10. Network and Site Sharing Agreement

In May 2014, the Ministry of Communications published a policy for wide access network sharing by general licensees providing Cellular services. According to the policy, a network sharing agreement, including active frequency sharing between Cellular network operators (MNOs) is possible between operators when at least one of them does not own a fully distributed cellular network, and is subject to certain conditions which are stipulated in the policy. For details regarding the Network Sharing Agreement with Hot Mobile see Section 23.5 above for details regarding the passive networks sharing agreement see Section 13.2.3 above.

22.6. **Provisions in the Area of Fixed-line Telecommunications**

22.6.1. Fiber-optic Network

The Communications Law provides operators certain powers to deploy fiber-optic infrastructure and exempts them from the requirement of obtaining building permits (including auxiliary facilities). Deploying fiber-optic infrastructure in public areas is subject to prior notice and coordination with other infrastructure owners. Deploying fiber-optic infrastructure in private property is subject to the landlord's consent. With respect to using the infrastructure of other operators in the framework of the Wholesale Market, see Subsection (2) below.

The Telecommunications Law was amended in December 2020, with changes made to the obligations of fiber-optic deployment and service provision for operators holding a general license. Previously, these operators were required to perform universal deployment for all their networks, but now they are only obligated to deploy fiber-optic in their own infrastructure. Furthermore, incentives were established to encourage infrastructure deployment in areas where there is no obligation for deployment, based on profitability tests. The main terms of the amendment are as follows:

22.6.1.1. Bezeq shall not be subject to universal deployment requirements with respect to deploying fiber-optic infrastructure, rather it shall be granted the option to inform the Ministry with respect to the areas in which it desires to deploy infrastructure within five months of January 1, 2021, and in such areas Bezeq shall be required to provide service to all households within 6 years; Hot shall also not be subject to a universal deployment duty with respect to deploying fiber-optic infrastructure, from the date determined for Bezeq's duty to deploy as set forth in the license.

Accordingly, it was determined in the amended license of Bezeq in June 2021 that Bezeq is required to operate and deploy a fiber network covering approximately 80% of household interfaces in Israel. To the best of the Company's knowledge, Bezeq has informed the MoC that it had decided to commit deploy its fiber network to approximately 85% of household interfaces in Israel, and the winning operators in the tenders are expected to deploy fiber networks to the remaining households in Israel in the coming years.

22.6.1.2. In 2021, the Ministry of Communications has established a fund to encourage the deployment of networks (FTTH) in areas that are not economically viable, where Bezeq has decided not to deploy its FTTH network (hereinafter - the "**Incentive Fund**"). The Incentive Fund is financed by annual payments by all obligated entities (including Partner and Bezeq) at an annual rate of 0.5% of relevant taxable income. The Company's payment for 2021 amounted to NIS 12 million, and the payment for 2022 stood at a similar amount.

22.6.1.3. In October 2021, the MoC published an annual incentive tender for the rollout of FTTH (fiber to the home) networks in non-economically feasible areas where Bezeq has decided not to deploy its FTTH network. The tender process ended in February 2022. According to the announcement of the Ministry of Communications, Partner will be required to rollout its fiber network to approximately 12,000 households in the incentive areas it won. According to the tender's terms , the final granting of the financial incentive for the fiber rollout to households as mentioned (in an estimated amount of NIS 6 million), is conditional on several terms and restrictions. In February 2023, the Ministry of Communications published the results of another incentive tender, in which the winners had to deploy to approximately 130,000 households, representing about 4.7% of the households in Israel. This tender completes the previous tender published in October 2021, the results of which were announced in March 2022, and which determined deployment obligations for 95% of the homes in Israel. The Company did not submit a bid for this tender.

22.6.1.4. Furthermore in this context, under the Minister's approval of the merger between IBC and Hot from February 2021, IBC was required to reach deployment of approximately 1.7 million households, representing about 65% of the households in Israel. For further details regarding the merger of IBC with Hot, see Section 11.4.1 above.

22.6.2. Development of the Wholesale Market

In 2012, the Ministry of Communications published a policy document regarding a Wholesale Market for fixed-line communication services, the main points of which are:(1) establishing an effective Wholesale Market for communication connectivity services; (2) gradual cancellation of the structural separation in the Bezeq and Hot groups and replacing it with accounting separation and changing the method of control over Bezeq's retail rates, determining maximum rates. This instead of the current method that sets fixed rates depending, as a rule, on the development of the Wholesale Market, competition in the market, and with respect to television services – the reasonable option to supply a basic package of OTT services by suppliers that do not have a national fixed-line telecommunication infrastructure.

In 2015 the Israeli Wholesale Market in the area of internet infrastructure services was officially launched, and to a certain extent, also in the area of certain physical infrastructure being used by operators that do not own infrastructure. The maximum wholesale rates for fixed-line telecommunications services to be provided by Bezeq (on its copper-wire infrastructure) were set in the Use Regulations and the tariffs for internet infrastructure services on Bezeq's fiber-optic network were set in August 2020 under the Amendment no. 2 of the Use Regulation.

According to the Telecommunications Law, certain wholesaler duties apply to all fixed-line operators, including the Company, according to which fixed-line operators must provide all other fixed-line operators access to their passive infrastructure, at terms to be discussed between the parties (excluding Bezeq and Hot, for which the regulator sets the terms).

Furthermore, the Wholesale Market should have featured wholesale fixed-line telephone services from May 2015. To the best of the Company's knowledge, as of the Report date, the service has not yet been used within the Wholesale Market. A reduction Bezeq's fixed-line telephone service rates, in accordance with the Ministry of Communications' decision in December 2020 (as set forth hereunder) has already reduced and it expected to further significantly reduce, to the extent of nearly eliminating the economic profitability of buying wholesale telephone services from Bezeq.

In June 2020, the Ministry of Communications adopted Hot's proposal to voluntarily reduce the wholesale rates for Internet infrastructure service on its network, including a mechanism for updating rates. In January 2022 the tariffs for 2022 were updated. In December 2022 the tariffs for 2023 were updated.

As part of the regulatory updates carried out by the Ministry of Communications every year, a regulatory tariff was set in 2022 for prices related to the provision of internet infrastructure services over Bezeq's fiber-optic infrastructure. The tariff amounts to NIS 76.5 for wholesale fiber infrastructure at a total rate of 550 Mbps and NIS 85.2 for wholesale fiber infrastructure at a total rate of 1100 Mbps per month. In January 2023, Bezeq announced a voluntary reduction of tariffs by NIS 72 for a total inclusive rate of up to 1100 Mbps per month.

The Ministry of Communications is examining the reduction of the retail sale of Bezeq and Hot, which reduces the margin between wholesale rates and retail rates for certain fixed-line communication services ("margin squeeze"). In relation to this matter, the Ministry of Communications has released several hearings, but a final policy has yet to be determined.

22.6.3. Regulation of OTT Multichannel Television Services

As of the Report date, online television services are not regulated in Israel.

In July 2021, the Folkman Committee submitted its recommendations to the Minister of Communications. The Folkman Committee's report includes, among other things, recommendations regarding the following issues:

22.6.3.1. The establishment of a single regulatory authority for commercial broadcasting (which would replace the Council for Cable and Satellite Broadcasting and the Second Authority Council);

22.6.3.2. The single regulatory authority will regulate all audiovisual content providers (hereinafter the :"Content Providers"), including TV content services which are provided over the Internet, OTT, and which are currently unregulated;

22.6.3.3. The regulation will gradually apply to the Content Providers, according to their annual revenues: (1) all audiovisual content providers (regardless of their annual income) would be subject to rules regarding ethics and a ban on exclusivity in sports programming, rules concerning accessibility would be applied gradually (in accordance with annual income); (2) an audiovisual content provider with an annual income of more than NIS 300 million would be subject to a license and would be required to invest between 4% to 6.5% of its annual income in specific local production genres; (3) an audiovisual content provider with an annual income of more than NIS 600 million would be required to invest 6.5% of its annual income in specific local production genres.

The Folkman Committee's recommendations have been adopted by the Minister of Communications and in August 2022, the Ministry of Communications published a hearing for public reference regarding the bill draft of the Principles of Regulation of the Provision of Audio-Visual Content to the Public, 2022. For further details regarding this matter, see Section 6.2.3.

If legislation is adopted that requires the Company to make additional investments and/or imposes restrictions on the Company's online television services and/or restrictions on the Company but not on other online television service providers, such could have an adverse effect on the Company's activity and on the Company's online television services.

The Company's estimates regarding the possibility and the potential impact of legislation in the OTT multichannel television area are deemed forward-looking information, as defined in the Securities Law, which is uncertain, since it is affected by various factors outside the Company's control, and is subject, among other things, to the nature of the legislation to be adopted, as described above, regulatory decisions and other factors, including the realization of all or some of the risks listed among the risk factors in the Company's area of activity, as stated below in Section 26 below.

22.7. **Interconnectivity Fee Rates Regulation**

In June 2022, the Ministry of Communications published its decision, following a hearing that had been published back in September 2021, regarding a change in the policy of interconnectivity tariffs. According to this decision, there will be a gradual reduction in interconnection tariffs over three years (ending on June 15, 2025). At the end of this period, each operator will bear the costs of completing the calls on its network and there will no longer be any transfer of payments in favor of an interconnection, as far as call minutes are concerned (both on the Cellular and fixed-line telephony networks).

In response to the aforementioned decision by the Ministry of Communications, Days of the Messiah Co. and others filed an appeal, claiming that the decision would harm content providers serving the ultra-Orthodox community. The Company was added to the appeal as a respondent and submitted its response to the court.

It should be noted that as part of the aforementioned decision of the Ministry of Communications, it was also decided that the maximum rate for completing incoming international calls from abroad will be canceled (as of July 28, 2022), which is expected to increase the Company's income from incoming international calls.

Based on the Company's estimates, the implementation of the aforementioned change outline is not expected to have a material impact on the Company's operations.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The Company's estimates are based on the average scope of minute movement (incoming and outgoing) of the Company's customers opposite various operators. The aforementioned estimates may not materialize or materialize in a different manner should the scope of minutes change in the future. Additionally, the Company's estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

Additionally, the Ministry of Communications is authorized to issue instructions regarding telecommunication service tariffs in cases of unreasonable or anti-competitive payments. These instructions may be based on a cost-plus-profit analysis or based on benchmarking with other license holders, similar services, or interconnection tariffs in other countries. Likewise, the Minister of Communications is authorized to provide instructions regarding the separation of payment for a specific telecommunications service from payment for a bundle of services.

It shall also be noted that the Company's licenses specify the types of payments that the operator is authorized to collect, and there is a specific arrangement regarding certain services.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The Company cannot estimate whether regulators shall intervene in such way, and the extent of its effect on the Company's activity. The Company's estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

22.8. **Ensuring Functional Continuity and Management of Cyber Defense**

According to the instructions of the Regulation of Security in Public Bodies Law and due to the definition of services provided by the Company as vital services, the Company's activity in protecting its infrastructure is supervised and monitored, also by the Shin Bet.

The company provides a range of telecommunications services that constitute a vital national infrastructure both on a routine basis as well as in emergencies. therefore, the Cellular and the general-unified licensees requires the Company to be prepared to ensure the functional continuity of operations in order to continue to provide its services also during emergencies. In addition, the Cellular license requires the Company to be prepared for managing cyber defense in order to continue providing its services, even in the event of a cyber incident.

22.8.1. Ensuring Functional Continuity

According to the provisions of the Cellular and the general-unified licenses, the Company is required, among other things, to implement a comprehensive work plan and ensure its durability to function during emergencies while ensuring the functional continuity for the provision of its services, using a Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP) for network recovery.

The Company invests resources and takes measures to guarantee its capability to function continuously, minimize the impact on the delivery of its services, and restore its operations in case of any harm. As part of the Plan to ensure functional continuity, the Company performs, among other things, risk analysis to which it is exposed in an emergency, sets service goals and recovery goals, according to the risk analysis, defines roles and areas of responsibility of different entities in the company in emergency management, specialized procedures for emergency scenarios, and implementing the plan in practice, embedding the plan among relevant entities, and conducting drills and processes for extracting lessons.

The plan for ensuring the functional continuity has to be approved by the Company’s Board of Directors. In addition, the Board of Directors discusses issues related to functional continuity, in accordance with the conditions specified in the Company's Cellular license.

The Company did not experience any functional discontinuity events that affected its Financial Reports during 2022.

22.8.2. Cyber Defense

The Company's Cellular license requires it to establish a cyber defense management plan, which will assist it in dealing with cyber incidents, ensuring its ability to function continuously, limiting the impact on service delivery, and recovering its operations in the event of such incidents.

The Company invests resources and takes steps to reduce and deal with cyber risks. The implemented plans in this regard, include, among other things, the following topics:

22.8.2.1. Mapping of the cyber assets whose proper functioning is required in order to ensure the operating continuity of the processes defined as critical and of the Company’s core systems;

22.8.2.2. Analysis of the cyber risks to which the Company is exposed, including an analysis of the results, implications and significances of the current and proper work of the infrastructures and of its services;

22.8.2.3. Definition of service targets and recovery targets in the event of a cyber incident according to the risk analysis, and their significances to functional continuity and the continued provision of the Company's services.

The Plan for cyber defense management plan has to be approved by the Company's Board of Directors. In addition, the Board of Directors discusses issues related to cyber threats and defense management.

The Company did not experience any cyber incidents that affected its financial results during 2022.

22.9. **Consumer Protection Legislation**

The Company's activity is subject to legislation that regulates the relationship and manner of engagement between the Group and its subscribers. As such, the Company's activity is governed by the Consumer Protection Law and its regulations. Changes to consumer protection legislation regularly affect the Company's activity. In recent years, various amendments to the Consumer Protection Law and its regulations were adopted, among others regarding the cancellation of transactions even after commencement of service; disconnecting from ongoing services; the manner of updating rates for a limited term; provisions on reimbursing funds collected from subscribers not in accordance with the engagement agreement plus the fixed handling fee under the law; restrictions on debt collection processes; the maximum duration of wait for human response; expanding applicability of regulation regarding technician visits to additional instances and the creation of a national database where consumers who want to restrict marketing calls from businesses or their agents can register their phone numbers. Furthermore, there is a variety of proposed amendments to the Consumer Protection Law on the Knesset's agenda, that could affect, among other things, the terms of engagement and conduct of the Company vis-à-vis its subscribers.

22.10. **Privacy Protection Law**

The Company' activity is affected by the provisions of the Protection of Privacy Law and its regulations with respect to managing and maintaining databases and protecting the data they contain, as well as by the guidelines of the Privacy Protection Authority. In May 2018, the Protection of Privacy (Data Protection) Regulations, 5777-2017, came into effect, imposing various duties on database owners, including the duty to set procedures and carry out data protection risk assessments, and the duty to use state-of-the-art data protection measures to protect information.

Several bills for amendment of the Protection of Privacy Law have been brought to the Knesset. Such bills include, among other things, a significant expansion of the supervision and enforcement powers of the Privacy Protection Authority.

22.11. **Provisions in the Area of Labor Law**

The Company is subject to Israeli labor law in connection with terms of employment, including the Minimum Wage Law, 5747-1987; Severance Pay Law, 5723-1963; Annual Leave Law, 5711-1951; Hours of Work and Rest Law, 5711-1951; the Law for Increased Enforcement of Labor Laws, 5772-2011, and various expansion orders regarding fringe benefits and pension contributions Company employees are entitled to.

According to the Minimum Wage Law (Minimum Wage Increase – Temporary Provision), 5775-2015, the monthly minimum wage was updated gradually until January 2017, and the hourly minimum wage increased again in April 2018 as result of shortening the workweek in Israel.

In February 2022, the Government approved a bill for increasing minimum wage to NIS 6,000 per month in five increments, from April 2022 until December 2025. The bill has been brought to the Knesset and making it into binding law requires completing the legislative procedure. The Company is unable to estimate whether the bill shall be adopted and what arrangements shall derive therefrom. In the Company's estimates, should the bill be adopted as is, it shall lead to a significant increase in the Company's payroll costs.

22.12. **Anti-Trust Regulation**

The Economics Competition Law is the primary law dealing with competition and antitrust issues in Israel. The Law contains the substantive rules that apply to various restrictive trade practices (restrictive arrangements, mergers, and monopolies). In general, violations of the Law are considered a criminal offense. Criminal enforcement is usually reserved for the most severe violations of the Law (cartels and bid rigging). In addition, each violation can lead to an administrative fine, which could be as high as 8% of the sales turnover of a corporation's annual revenue. The Law grants the Israel Competition Authority vast investigative powers, including the ability to request and seize any document or information which is required for the enforcement of the Law. the Israel Competition Authority can also apply various limitations regarding mergers or restrictive arrangements, as well as require monopolies or concerted oligopolistic groups to perform specific required actions in order to, among other objectives, maintain or increase the competition level among the participants in the market. In addition, the Israel Competition Authority may issue orders to remove or to ease entry or transfer barriers, to terminate a participant's activity, or otherwise to regulate the activities of the market.

22.13. **Sanctions by Virtue of Regulatory Provisions – Administrative Proceedings and Financial Sanctions**

In recent years, the enforcement and supervision authorities of various regulators have been expanded, including the Ministry of Communications, the Competition Authority, and the Consumer Protection and Fair Trade Authority, whereby granting various regulators the power to impose sanctions, including substantial financial sanctions for violations of relevant regulation. There is also a proposal to make a similar amendment

to the Protection of Privacy Law. The Ministry of Communications, the Competition Authority, and the Consumer Protection and Fair Trade Authority have been exercising these powers in recent years.

The Company's estimates regarding the possibility and the potential impact of such legislation are deemed forward-looking information, as defined in the Securities Law, which is uncertain, since it is affected by various factors outside the Company's control, and is subject, among other things, to the legislation arrangements to be adopted, changes to the structure and composition of the Company's workforce, and other changes in the job market, regulatory decisions and other factors, including the realization of all or some of the risks listed among the risk factors in the Company's area of activity, as stated below in Section 26 below.

23. Material Agreements

Below is a summary description of the main terms of material agreements the Company is party to, or that grant rights to the Company to the best of its knowledge, including agreements that were in effect in the period described in the Report or that affected the Company's activity at the time.

23.1. Passive Infrastructure Sharing Agreement

For details regarding the agreement in the area of passive infrastructures sharing see Section 13.2.3. above.

23.2. Collective Employment Agreements

For details regarding the Company's collective employment agreements, see Section 15.4 above.

23.3. Engagements with Suppliers

For details regarding the Company's engagements with material suppliers that the Company relies on for purchase, operation, and maintenance of telecommunications equipment, information systems, content, and end-user equipment, see Section 16 above.

23.4. Debt and Credit Agreements

For details regarding the Company's credit agreements that it uses to finance its activity, and for details regarding the Debentures issued by the Company, see Section 19 above.

23.5. Network Sharing Agreement

In addition, in November 2013, the Company signed a network sharing agreement with Hot Mobile, which was approved by the Antitrust Authority (as it was then called) in 2014 and by the Ministry of Communications in 2015. According to the Network Sharing Agreement, PHI, a limited partnership was formed by the parties, when Net4PHI Ltd., is a general partner of the aforementioned limited partnership. PHI and Net4PHI Ltd. are equally owned by the Company and Hot Mobile.

As per the approval granted by the Competition Commissioner, it has been established that the Israel Competition Authority will persist in scrutinizing the degree to which the undertaking could impede fair competition. Should it be determined that the venture's presence or operations could indeed pose a tangible threat to competition, the Competition Commissioner will direct the dissolution of the partnership. Such an order could have been given since May 22, 2021. In the event of such an order, the companies will be required to undergo a two-year hiatus in their joint operations, with the exception of managing, maintaining, and operating passive network components. The companies will be granted an additional three years for the complete separation of all shared assets.

Pursuant to the agreement, the parties created the limited partnership PHI, the purpose of which is to operate and develop the radio access network that is shared by both parties based on both parties' network infrastructures to create a single shared pooled radio access network (the "**Shared Network**"). PHI will operate to optimize the Shared Network by reducing the number of cell sites, while enhancing network coverage and capacity expansion. The agreement regulates the management and development of the Shared Network, the PHI's management, including a mechanism for appointing directors, conflict resolution, cost-sharing of network upgrades, and more. The agreement is valid until December 31, 2028, and will automatically be extended for additional five-year periods, unless either party notifies of its intention to terminate the agreement with a prior notice of 24 months before each automatic renewal. Starting from the end of the eighth year of the agreement's entry into force (April 20, 2023), each of the parties is authorized to terminate the agreement at its discretion by providing two years' advance notice. In case of termination of the agreement, the agreement specifies provisions regarding the separation mechanism of the parties.

PHI started to operate in 2015, at which time each of Partner and HOT Mobile transferred to PHI certain employees who were previously engaged in their respective radio operations. Both companies continue to compete, differentiate their services, to hold and operate their core network and be responsible for providing cellular telecommunication services to its own customers, including the provision of customer service, value-added services (VAS), marketing and sales. In February 2016, HOT Mobile exercised its option under the Network Sharing Agreement ("NSA") to advance the payment date of a onetime amount of NIS 250 million. In accordance with the terms of the Shared Network Agreement, starting from the payment date, each party will bear half of the capital investments required for the establishment and upgrade of the Shared Network. The bearing of the operating costs of the Shared Network is according to a pre-determined mechanism, according to which one half of the operating costs is shared equally by the Parties, and the other half is divided between the Parties according to the relative volume of traffic consumption of each party in the Shared Network (the "**Capex-Opex Mechanism**").

The Lump Sum is recognized as deferred revenue for the cellular area of activity amortized quarterly in the income statement over a period of eight years, starting with the second quarter of 2016. Eight years has been determined to be the shorter of the expected period of the arrangement or the expected life of the related assets. Accordingly, approximately NIS 31 million (USD 10 million) was amortized to revenues in the Company's income statement for each of the years 2020, 2021 and 2022.

As for today, the Network Sharing Agreement provides financial benefits to Partner in terms of the savings in operational expenses and capital investments.

However, if the Network Sharing Agreement entered into with HOT Mobile is unilaterally terminated by HOT Mobile earlier than the Company expects, it will be required to split the Shared Network with HOT Mobile. Allocating the necessary resources, time, and expenses to establish its own nationwide network would be a significant undertaking for the Company, which could also have a material adverse impact on its operations and financial results during that time. The Company accounts for its rights and obligations towards PHI as a joint arrangement. See Note 2(C)(24) of the 2022 Reports.

The Company's estimates regarding the impact of the termination of the Network Sharing Agreement with Hot Mobile or network splitting constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

In January 2019, the Company and Hot Mobile signed an amendment to the agreement that establishes provisions regarding changes in structure of PHI's Board of Directors, as well as changes to PHI's reporting procedures and commercial understandings between PHI and the parties involved. In accordance with this amendment, the structure of the Board of Directors will change so that the number of directors will be up to six, and each of the partners is authorized to appoint up to three directors and to terminate the tenure of a director appointed by it or to replace them. Furthermore, this amendment specifies that beginning on January 1, 2019, the partnership will make a fixed yearly payment of NIS 500,000 in monthly installments to the Company for the sublease fees paid by PHI for leasing the Company's sites.

On July 27, 2019, the Minister published a frequencies allocation tender, including these designated for the 5G service. Cellular operators that share a network were required to submit a joint proposal in the tender. Following this tender, the partners have signed a joint proposal agreement, under which they will cooperate to formulate a joint proposal for the tender and allocation of frequencies spectrum that will be allocated to each of the partners in the event of a joint win in the tender, as well as payment of the license fees for the frequencies. On August 12, 2020, the MoC notified the Company about the tender's results. According to the auction results, 10 MHz in the 700 MHz frequency spectrum, 20 MHz in the 2600 MHz frequency spectrum, and 100 MHz in the 3500 MHz frequency spectrum were allocated to the company and Hot Mobile at a total price of NIS 62,380,000, to be paid equally by the company and Hot Mobile.

In 2022, a frequency swap was conducted between Hot Mobile and Pelephone in order to create a continuous frequency band for Hot and Partner, and to optimize the use of these frequencies through PHI.

On December 7th, 2022, the Ministry of Communications issued a tender for the expansion of an integrated license to provide advanced mobile radio telephone (Cellular) services, including advanced bandwidths that

will allow the winners to offer advanced 5G services in the 26 GHz frequency spectrum. Partner and Hot Mobile signed a joint proposal agreement on March 22, 2023, agreeing to work together to create a joint proposal for the tender. For further details regarding the 5G tender, see Section 6.2.7 above. For further details regarding frequency allocation see Section **Error! Reference source not found.** above.

23.6. **Apple Agreement**

The Company entered into a non-exclusive agreement with Apple effective April 1, 2021, for the purchase and resale of iPhone handsets in Israel for a three-year period. As part of its agreement, the Company undertook to purchase a minimum quantity of iPhone devices each year, and to promote and sell them to their customers in accordance with the terms of the agreement.

23.7. **TI Sparkle Israel (formerly Med Nautilus) Agreement**

The Company entered into an agreement with TI Sparkle for the provision of international capacity services through submarine infrastructure, which connects European countries for various periods.

23.8. **Upgrade of LTE network.**

In January 2019, the Company entered into an agreement with Mavenir for the upgrade and improvement of the performance of the Company's LTE network. The agreement includes upgrading, replacing, and expanding certain components in the Company's cellular network core, including a transition to a virtualized architecture, along with additional functions and capabilities, and preparations for the 5G, while improving the Company's capabilities in the cellular services it provides.

In January 2023, the Company signed a Memorandum of Understanding (MoU) with Ericsson Israel Ltd. ("**Ericsson**") according to which, Ericsson will replace the current supplier for the cellular network core and provide a 5GSA system. After the roughly 15-month project is completed, Ericsson will become the primary supplier for the Company's 2G/3G/4G/5G cellular network. As per the MoU, the parties have to agree on a deadline for reaching a detailed agreement. As of the Report publication date, the deadline is on May 16th, 2023. If the parties do not come to a detailed agreement within until the deadline the MoU will no longer be effective.

23.9. **IRU Agreement with Bezeq**

On December 21, 2022, the Company signed an agreement with Bezeq - Bezeq the Israel Telecommunication Corp. ltd., regarding the purchase of an irrevocable and nontransferable right of use, IRU, for a fixed period of 15 years of Bezeq's BSA fiber (Wholesale Market) infrastructure by the Company. The purpose of the use is to provide internet access to the Company's customers over Bezeq's advanced network infrastructure in the deployment areas.

According to the Agreement, the company has been granted an irrevocable and nontransferable right of self-use for providing service to its customers over 120,000 unspecified infrastructure fiber optic lines of Bezeq, at a download speed of 1 Gbps per line for a period of 15 years, starting from January 1, 2023.

The right-of-use of the lines will be granted in a graduated manner in 5 equal annual installments, as the first installment started on January 1, 2023. The total consideration to be paid by the Company to Bezeq for the right-of-use according to the agreement is approx. NIS 574.2 million plus VAT for the first agreement period, which will be divided into 5 equal payments to be paid at the beginning of each calendar year of the years 2023 to 2027, plus half of the linkage differences, according to the terms stipulated in the agreement. The Company has the option of spreading any installment amount over a period of 5 years with the addition of interest at a rate equal to Bezeq's NIS bond yield for the relevant average duration in an annual calculation as known at on the start date of the right-of-use of the lines in that installment (or a weighted average of such bonds). In addition to the above, the Company will pay Bezeq an annual maintenance fee of 4% of the current total number of lines, plus the cost of any additional lines ordered, as well as the cost of any upgrades ordered, plus 50% of the calculated linkage differentials up to the invoice due date.

The company has been given an option to purchase the right to use an additional 48,000 lines under the same terms during the first term of the agreement, as well as an option to extend the usage period for two additional periods of 5 years each, beyond the first term of the agreement (total of 25 years), for the amount of lines of its choosing, at a rate of NIS 840 per line (up to NIS 100.8 million for 120,000 lines) for each 5-year option, plus linkage differentials according to the terms set forth in the agreement. According to the agreement, the Company is entitled to extend the usage period of all active lines at the end of the initial usage period by an additional 5 years (from 15 to 20 years) by notifying Bezeq at least 90 days prior to the end of the initial usage period. In accordance with the agreement, the company is permitted to extend the usage period of all active lines by an additional 5 years (from 15 to 20 years) at the end of the initial usage period by giving notice to Bezeq at least 90 days prior to the end of the initial usage period.

In addition, the Company has the option of preceding the dates for both the right-of-use of the lines and for the payment thereof. The agreement also contains a price protection mechanism that adjusts the calculation of the price of the regulatory line, starting from the sixth year of the agreement, as well as a mechanism for upgrading the paces of the lines, in accordance with the terms stipulated in the agreement.

As part of the agreement, Partner is entitled to upgrade the line speed to a rate of 2.5G/250M or a rate of 5G/500M (subject to the launch of this rate by Bezeq). Some of the upgrades are provided at no additional cost, while others require a one-time fee per line.

The agreement will expire upon the end of the usage period and the option periods, if chosen by the Company to exercise.

On December 27, 2022, the Company received a letter from the Ministry of Communications, stating that, at first glance of the agreement, it raises real competitive concerns. Therefore, and in light of the various provisions of the Telecommunications Law, the characteristics of Bezeq and its license - the Ministry of Communications asked

Bezeq for its response. The above, given that the agreement is tailored to the characteristics of a single authorized provider (the Company) and therefore cannot serve as a relevant shelf-offer to other authorized providers in the Wholesale Market. The outcome of the discussion between the Ministry of Communications and Bezeq may affect the current agreement with Bezeq and its implementation.

On January 16, 2023, the Company received a letter from the Ministry of Communications regarding the aforementioned detailed agreement, according to which, after discussions with Bezeq, Bezeq informed the Ministry of Communications that it intends to reduce the payment for the single lines in the BSA service to NIS 72 (excluding VAT). Furthermore, the Ministry of Communications believes that there is nothing in the agreement that raises concerns of a significant impact on competition and therefore it has no intention of exercising any of its authorities regarding the agreement.

In March 2023, the Company completed the first installment of the agreement (24,000 lines) and moved up the second installment, all in accordance with the terms of the agreement.

For further details, see Note 17(5) of the Financial Statements dated December 31, 2022.

23.10. Agreements in the Area of Fiber-optics

The Company has entered into several engagements and agreements with telecommunications operators and business entities for the sale of IRU and lease of certain fiber-optics in the Company's fiber-optic infrastructure, as well as maintenance and operation services with respect to such fibers. These agreements might include an undertaking on behalf of the Company to develop, establish and maintain optic-fibers.

24. Legal Proceedings

The Company is party to legal proceedings filed against it from time to time. As of December 31, 2022, the Company had set aside an amount of NIS 19 million for all the claims against it.

24.1. Material Pending Legal Proceedings

Hereunder are details of pending legal proceedings, in which the claimed amount is substantial or may have significant implications on the Company's activity:

Date of filing the claim	Proceeding type, parties, instance of court and original amount of the claim	Details
July 2014	A claim and a motion for its approval as a class action. Filed by the Israeli Consumer Council against the Company, other cellular operators and a content provider, to the District Court of Tel Aviv. The claim states that the payment obligations, legal procedures, and/or any funds collected by the content provider as a result of them, are illegal. The class action amount was estimated in the amount of NIS 300 million.	The claim is still in its preliminary stage of the motion to be approved as a class action.
November 2015	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the District Court of Jerusalem. The claim alleges that Partner required their customers to purchase a Smartbox device which is terminal equipment as a condition for using its	In February 2019, the Court approved the motion for approval of the claim as a class action with certain changes. In March 2019, the Company filed an appeal of this decision. In February

Date of filing the claim	Proceeding type, parties, instance of court and original amount of the claim	Details
	fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against Partner is estimated by the plaintiff to be approximately NIS 116 million.	2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court and the proceedings have resumed. In October 2022, a motion was filed for the approval of a settlement agreement.
November 2015	A claim and a motion for approval of the claim as a class action. Filed by a customer against 012 Smile, in the District Court of Jerusalem. The claim alleges that 012 Smile required their customers to purchase a Smartbox device which is terminal equipment as a condition for using its fixed-line telephony services, an action which would not be in accordance with the provisions of its licenses. The total amount claimed against 012 Smile is estimated by the plaintiff to be approximately NIS 64 million.	In February 2019, the Court approved the motion for approval of the claim as a class action with certain changes. In March 2019, the Company filed an appeal of this decision. In February 2020, the Supreme Court dismissed the appeal request that was filed and the claim was reverted back to the District Court and the proceedings have resumed. In October 2022, a motion was filed for the approval of a settlement agreement.
November 2016	A claim and a motion for approval of the claim as a class action. Filed by customers against the Company and other cellular operators, to the District Court of Tel Aviv. On February 17, 2021, the movant filed an amended motion that claimed, among other things, that the Company breached legal provisions when it does not update its customers who purchased equipment from the Company in a credit transaction regarding the required interest rate and/or that it does not specify the cash price and/or that it notes an incorrect interest rate. The total amount claimed against Partner is estimated by the movant to be approximately NIS 157.5 million.	The claim is still in its preliminary stage of the motion to be approved as a class action. In January 2023, an agreed motion for withdrawal was filed.
October 2017	A claim and a motion for approval of the claim as a class action. Filed by customers, against the Company and other cellular operators, to the Central Region District Court. The claim alleges that Partner harms the privacy of its customers by unlawfully using their location data. The total amount claimed against Partner is estimated by the movant to be approximately NIS 1 billion.	The claim is still in its preliminary stage of the motion to be approved as a class action.

24.2. **Claims and motions for approval of class actions, which do not specify and/or evaluate the claimed amount of damages against the Company:**

Date of filing the claim	Proceeding type, parties, instance of court	Details
April 2016	A claim and a motion for approval of the claim as a class action. Filed by customers against 012 Smile, in the Central Region District Court. The claim alleges that the infrastructure included in the 012 Smile's plans does not support data speeds that the Company publishes to its customers. The total amount claimed against the respondent, if the lawsuit is approved as a class action was not stated by the plaintiffs.	In January 2021, the Court approved the motion approval of the claim as a class action. The parties are going through a mediation proceeding.
September 2017	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company and Partner Land-Line Communications Solutions, in the Central Region District Court. The claim alleges that the infrastructure included in the Company's plan does not support data speeds that the Company publishes to its customers. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants.	The claim is still in its preliminary stage of the motion to be approved as a class action. The parties are going through a mediation proceeding.
August 2018	A claim and a motion for approval of the claim as a class action. Filed by customers against the Company and 012	In January 2023, the parties filed a motion for approval of a settlement

Date of filing the claim	Proceeding type, parties, instance of court	Details
	Smile and at a later date, following a revision to the motion, also against Partner Land-Line Communications Solutions, in the Central Region District Court. The claim alleges that the respondents unlawfully charge their customers different and higher rates for international calls that are not included in their tariff plans, than those set forth in its customer tariff chart on the 012 Smile website. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at over 2.5. NIS Million.	agreement regarding the claim of the first movant and an agreed motion for withdrawal in regards to the claim of the second movant. In January 2023, the court granted the motion for withdrawal.
April 2019	A claim and a motion for approval of the claim as a class action. Filed by the non-profit "Lokchim.Achrayut Meshanim Meziut Bareshet" and customers against the Company and other telecommunications companies, to the Central Region District Court. The claim alleges that the Company, as well as the other respondents, breached their obligations under the law and their license and does not inform its customers as required regarding a free content filtering service and prioritizes a paid service over a free service and the filtering service does not meet the legal requirements and those of the license and is ineffective. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at dozens of NIS million.	The claim is still in its preliminary stage of the motion to be approved as a class action. The parties are going through a mediation proceeding.
July 2019	A claim and a motion for approval of the claim as a class action. Filed by customers against the Company and two other cellular operators, in the Central Region District Court. The claim alleges that the Company charges its customers for voicemail service without receiving without having a contractual right. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at dozens of NIS million each year.	The claim is still in its preliminary stage of the motion to be approved as a class action. The parties are going through a mediation proceeding.
November 2020	A claim and a motion for approval of the claim as a class action were filed by customers against the Company and two of its subsidiaries, 012 Smile Telecom Ltd. and 012 Telecom Ltd. as well as against another operator in the District Court of Tel Aviv. The claim alleges that the Company as well as the other respondents charged its customers a fee for ISP service after they began receiving this service from another company and that the respondents did not provide the service in return for payment. The total amount claimed against the Company estimated at approximately NIS 2.5 million the total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at dozens of NIS million.	In February 2023, the Court dismissed the motion for approval. In March 2023, an appeal was filed to the Supreme Court regarding the decision to dismiss the motion for approval.
December 2020	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company and 012 Smile Telecom Ltd. in the District Court of Tel Aviv. The claim alleges that the Company charged its customers a fee for anti-virus and/or anti- spam services for email boxes while they did not use these services and that the Company does not keep records of their requests to receive these services. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at over 2.5. NIS Million.	The claim is still in its preliminary stage of the motion to be approved as a class action.
February 2023	A claim and a motion for approval of the claim as a class action. Filed by customers against the Company and Partner Land-Line Communications Solutions, in the District Court of Jerusalem. The claim alleges that the Company forces its customers to rent a modem if they want to use their fixed-line telephone service, but they don't tell them how much	The claim is still in its preliminary stage of the motion to be approved as a class action.

Date of filing the claim	Proceeding type, parties, instance of court	Details
	the rental costs. According to the law and the Company's license, they're not allowed to make customers rent the modem in order to use their service. The respondents don't inform their customers that if they won't rent the modem, they wouldn't be able to use their service. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at over 2.5. NIS Million.	

24.3. **Legal proceedings that were reported on previously and concluded during the Report period:**

Hereunder are legal proceedings that were reported on previously and concluded during the Report period:

Date of filing the claim	Proceeding type, parties, instance of court and original amount of the claim	Details
May 2015	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the District Court of Tel Aviv. The claim alleges that the Company discriminates between its cellular customers, including between new customers and existing customers by offering the same type of customers, different terms, an action which would not be in accordance with the provisions of its license. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movant.	In December 2019, the Court dismissed the motion. In January 2020, an appeal was filed to the Supreme Court. In July 2022, the appeal was rejected.
January 2016	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the Central Region District Court in Lod. The claim alleges that the Company charges its customers the full price of telecommunications packages that are intended for use abroad despite the fact that the packages are not fully utilized and does not allow customers to transfer the balance to the next trip abroad or to receive a credit for the balance. If the claim is approved as a class action, the Company could be facing a total claim amount of approximately NIS 234 million.	In April 2020, the Court dismissed the motion for approval. The plaintiffs appealed the decision to the Supreme Court in June of 2020. In April 2022, the appeal was rejected.
November 2019	A claim and a motion for its approval as a class action. Filed by the Israeli Consumer Council against the Company and two other cellular operators, to the District Court of Tel Aviv. The claim alleges that the Company, along with the other respondents, charged its customers for third-party content services by utilizing payment methods that were given to the Company for the purpose of paying the cellular invoice for these services. This was done without first obtaining consent from these customers prior to charging them, and/or without documentation of their consent, in violation of the law and contrary to the terms of its license. The Company did not ensure that these customers received a document that confirms their protection as consumers. The total amount claimed against each of the respondents, if the claim is approved as a class action, is NIS 400 million, in addition to compensation of NIS 500 for each of the group members for non-monetary damages allegedly caused to them.	In December 2020, the movants indicated their intention that they wish to withdraw the proceeding. In January 2022, the Court approved the motion.
April 2020	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the Central Region District Court in Lod. The claim alleges that the Company unlawfully charges its customers for anti-virus services without their consent. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movant.	In April 2020, the parties filed a settlement agreement. In January 2022, the court approved the settlement agreement.

Date of filing the claim	Proceeding type, parties, instance of court and original amount of the claim	Details
November 2020	A claim and a motion for approval of the claim as a class action. Filed by customers against the Company and three of its subsidiaries, in the Central Region District Court. The claim alleges that the Company unlawfully reduced the operating hours of its customer service centers. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants.	An agreed motion for withdrawal was filed and granted by the Court in November 2022.
January 2021	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the District Court of Tel Aviv. The claim alleges that the Company does not disclose interest rates to customers that purchase items in credit transactions prior to the conclusion of the transaction. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movant.	An agreed motion for withdrawal was filed and granted by the Court in March 2022.
February 2021	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company, in the Central Region District Court. The claim alleges, among others, that the Company provided its customers with TV service for viewing through a free application, as an ancillary benefit to other services and that the Company began charging customers for the TV service upon the cancellation of the ancillary service. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movant but estimated at over 2.5. NIS Million.	An agreed motion for withdrawal was filed and granted by the Court in June 2022.
January 2022	A claim and a motion for approval of the claim as a class action. Filed by a customer against the Company and 012 Smile Telecom Ltd, in the Central Region District Court. The claim alleges that the Company breached legal provisions with respect to accessibility to its website and various documents located in the personal area and/or anywhere else on the website. The total amount claimed against the Company if the claim is approved as a class action was not stated by the movants but was estimated at over 2.5. NIS Million.	An agreed motion for withdrawal was filed and granted by the Court in March 2023.

The Tax Authority conducted an investigation against the Company that included the collection of documents and the questioning of several past and present Company employees in order to ascertain whether there had been violations of the Eilat Free Trade Zone Law (Tax Exemptions and Discounts), 1985 regarding the sale of cell phones in the city of Eilat. On December 13, 2022, a notification was received from the Tax Authority's National Legal Unit for Customs Cases, stating that the investigation file against the Company has been closed without any legal action taken.

Following the closure of the investigation file, policy refinement was carried out and additional control processes related to the sale of cellular end-user equipment in Eilat were updated and implemented, in accordance with the Eilat Free Trade Zone Law (Tax Exemptions and Discounts), 1985.

25. **Goals, Business Strategy and Anticipated Development in the Forthcoming Year**

The Company's vision is to offer cutting-edge and top-notch telecommunications solutions and services, while prioritizing creativity, accountability, and integrity, all to serve the best interest of the Company's customers, employees, and shareholders.

The Company is poised to realize market growth potential, among other things, by focusing on the business customer market, engineering and technological infrastructure, accessibility to fiber-optics, and expanding sales activity of end-equipment. The Company will create, promote, and facilitate internet access for both its private and business customers, with an emphasis on providing top-quality and efficient service and support. This is to enable its customers to seamlessly conduct their digital lifestyles while expanding its operational capabilities.

The Company's strategy is aimed at focusing on the following topics:

25.1. Focusing on the business customer market – the Company aims to deepen and expand its position in this market by providing telecommunications solutions and added value to business customers, based on the large fiber infrastructure that at its disposal and the effective and advanced 5G deployment demands, as well as high-quality services and advanced products. Within this framework, the Company offers its business customers, in addition to connectivity services, tailored value-added services (VAS) that combine a complete system of telecommunications solutions, including network and data infrastructure, advanced information security solutions, integration solutions, specialized services for customers with multiple branches and commercial networks, business data storage at data centers, and advanced and secure cloud services. Additionally, in this area, the Company also offers fiber deployment services for various global players.

25.2. 5G Network Development - the company is working towards further growth in the cellular sector through a focus on the sale of 5G package deals, along with continued deployment of the 5G network that enables its use in specific geographic areas and the extraction of potential sales of end-user equipment tailored to 5G. The aforementioned is expected to increase the realization of opportunities in the business market, the value and revenue from these services, as well as lead to growth in M2M activity, combined with growth in IOT handsets. The Company has thus managed to cover a population of about 60% and to cover an area of about 50% as of December 31, 2022. In 2023, additional sites are expected to join this network.

The Company's estimates regarding the establishing engineering and technological infrastructures constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

25.3. End-user equipment - as part of its efforts to enhance customer value, the company will work to expand and strengthen its retail and edge equipment operations, among other things, by strengthening its repair service system and realizing the potential of trade in Company stores. As part of this, the Company will increase sales of end-user equipment, particularly 5G-supported equipment across all channels, with an emphasis on the digital channel, in which the Company continues to invest resources to streamline and

improve the customer experience. Additionally, the Company will work on branding its stores chain which is spread throughout the country as a meeting place for both existing and potential customers.

25.4. Fiber-optic accessibility - the successful completion of the main deployment phase has brought Partner's fiber network to approximately one million households in Israel. The completion of the main deployment phase allows the company to take the next leap in its fiber strategy: moving to a significantly lower deployment rate encompassing the connection of tens of thousands of households per year while focusing on new residential buildings and new neighborhoods. At the same time, in view of the conclusion of deployment in selected buildings and paved neighborhoods, the rate in 2023 is expected to be slightly higher than the representative deployment going forward, amounting to the connection of approximately 60 thousand households. Additionally, the Company's fiber strategy includes offering fiber-optic and television services to wholesale customers through a multi-year IRU agreement with Bezeq which significantly expands the Company's target market, with a focus also on the world of fiber-optics, providing 360-degree service to the customer when one address provides all services and equipment for internet and TV, an upgraded customer experience, and accelerated early deployment to precede the demand in the business sector. Furthermore, the Company intends to promote plans for deploying infrastructure to the international telecommunications market.

The Company's estimates regarding the deployment of its fiber network, including the deployment extent, pace and accessibility, constitute a forward-looking information within its meaning of the Securities Law, based on the Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

25.5. Investment and expenses - in 2023, the Company plans to enhance its internal systems, increase marketing efforts in the 5G and fiber-optic area, complete several fiber deployment processes in the private sector and for telecommunications suppliers, and establishing and expanding its operational capabilities. Accordingly, and given the timing differences of payments, the capital expenditures in 2023 are expected to continue and represent rate of approx. 20% of the revenues. The level of investments is expected to gradually decrease starting from 2024, with a medium-term projection of being between 15% to 17% of the revenue.

Given the actions taken this year, the Company expects relative stability in OPEX expenses despite the first impact of the reduction in connectivity fees in the second half of the year, primarily due to the expected increase in salary and related expenses.

The Company's estimates regarding the extent of its capital expenditures and level of expenses constitute a forward-looking information within its meaning of the Securities Law, based on the

Company's current information as of the date of the Report and also include the Company's estimates and analysis in accordance with its experience in the telecommunications market. These estimates might either not materialize or only partially materialize, as they are subject to factors outside the Company's control, including the materialization of all or some of the risks set forth in the framework of the risk factors in the Company's area of activity, as set forth in Section 26 below.

25.6. optimization of the Company's operational activities - in order to simplify, streamline, and strengthen the operational model for its customers, the Company split its sales division into a private sales division and a business sales division during 2022. This operating model will enable the Company to focus and grow among each of the customer segments, and it will also allow the Company to deepen and expand its activity in business telecommunications solutions. In addition, the Company is working to deepen the use of digital technology for the purpose of streamlining organizational processes.

25.7. Customer service - takes a range of measures, both physical and digital, to continuously improve the accessibility and quality of its customer service and technical support, with the goal of achieving operational excellence. In this context, the Company is working to improve the quality of service by expanding communication channels with its customers, among other things, by accelerating the use of digital means, and improving availability, speed, and efficiency in handling customer inquiries.

25.8. The TV services - in addition to traditional television services (linear channels, VOD, etc.), the company operates to maximize its role as a Super Aggregator, and to continue creating collaborations with various content providers, offering a wide range of channels and value packages for sports fans and Android-compatible sports applications.

25.9. Additional growth engine - the Company is constantly working to maximize the potential of its assets through additional growth engines. For instance, in October 2021, the Company was granted a license from the Ministry of Energy to supply electricity without means of production. The license is valid until October 2026. In June 2022, the Company entered into a joint venture with Rapac Energy Ltd., with the purpose of purchasing electricity from Noga - Israel Independent System Operator Ltd., and selling it to business consumers with online meters.

The Company's estimates in this regard are deemed forward-looking information as such term is defined in the Securities Law. The Company cannot estimate whether regulators shall intervene in such way, and the extent of its effect on the Company's activity. The Company's estimates could not materialize or partially materialize or materialize differently, as they are subject to factors outside the Company's control, and among others is subject to the effects of the aforementioned factors and any change thereof, and subject to the risk factors in the Company's area of activity, as set forth in Section 26 below.

26. **Discussion of risk factors**

Hereunder is an overview of the risk factors that may have a negative impact on the Company's areas of activity and business results:

26.1. **Macro Risk Factors**

26.1.1. Dependence on macroeconomic factors that affect business activity in the economy - the stability of financial markets and the resilience of world economies, which have been subject to high volatility in recent years. The Company estimates that as the local economy enters a period of slowdown and downturn due to external or internal events, including shocks in the global economy, its business results may be affected. As part of the macroeconomic changes, the Company is exposed to fluctuations in currency exchange rates, inflation, and interest rates. The majority of the Company's operating revenues and expenses are in NIS. However, in 2022, approximately one quarter of the Company's operating expenses (excluding depreciation), were linked to non-NIS currencies (mainly USD). Therefore, the company is exposed to fluctuations in foreign currency exchange rates. In addition, most of the rental expenses are linked to the consumer price index. The significant increase in the inflation rate may affect the increase in the mentioned rental expenses. For information regarding the impact of the global and domestic inflation, see Section 1.4 of the Board of Directors' Report.

26.1.2. Regional conflict and political or economic instability - a prolonged and widespread security situation or political instability in various areas of Israel, which disrupt the daily lives of residents, may lead to a negative impact on the Company's business results. Moreover, the Company's fixed assets, customers, and some of its suppliers are located in Israel. Any damage to the telecommunications network and/or the information systems of the Company could harm the its ability to continue to provide its services, in part or in full, and/or harm the its activities, and may have an adverse effect on its business results.

26.1.3. Judicial Reform - in the weeks leading up to the Report publication, the Israeli government began promoting a Judicial Reform. This move has sparked a wave of public protests. The uncertainty regarding the outcome of the government's initiative and the events surrounding it led to increased volatility in financial markets, reflected primarily in fluctuations in the exchange rate of the NIS against the basket of currencies and an increase in inflation expectations. Legislative moves like this and the incidents surrounding it, may naturally have negative effects on the Israeli economy, the Company's customers, and the Company itself. Naturally, given the stage at which the legislative move is at, the Company cannot assess the manner in which the move will be completed, and the potential extent of its implications once completed.

26.1.4. Natural disaster - the number of natural disasters and extreme weather events is steadily increasing worldwide. Such events may directly or indirectly affect the Company's revenues. Natural disasters can lead to direct damage to the Company's infrastructure, disruption of its services, and indirect impact on the Company's activity due to harm to various service providers of the Company and the supply chain. The company prepares for various extreme scenarios that characterize the state of Israel, as part of the Company's continuous functional plan.

26.1.5. Epidemic - an event such as an epidemic or pandemic has many implications, including macroeconomic ones. This is an event that is not within the control of the Company, and the Company will be affected by decisions made by the government and authorities in Israel and around the world regarding any scenario. As a result, the event and the actions taken will have significant implications on many economies and also on global financial markets. This situation may lead to travel restrictions to other countries and within the country, thus significantly affecting the Company's revenues from roaming services.

26.1.6. In addition, there may be an impact on the Company's revenues and business activities due to the closure of borders in various countries, which will lead to disruptions in the supply chain and shortage of equipment inventory. Certain sectors may experience a decrease in their income and encounter payment difficulties due to the closure of centers and job restrictions. The occurrence of an epidemic could potentially harm a large number of employees, which may in turn have negative effects on the provision of various services and overall business operations.

26.1.7. Supply chain - The Company relies on various supply chains to deliver different products and equipment. Disruptions in the supply chain may cause shortages or delays in receiving different products and affect business operations. In addition, supply difficulties sometimes lead to price increases of equipment from the Company's main suppliers. Such an event may affect the Company's revenue and its ability to implement its plans and fulfill its obligations to its customers. The Company implements different strategies to reduce the potential consequences of supply chain disturbances as previously discussed, which could affect the Company.

26.1.8. Information security and cyber defense - over the past few years, there has been an increase in the frequency, scope and potential for harm of cyber-attacks against companies, including the Company. The Company, as a major supplier of diverse telecommunications services across various area, is a prime target for cyber attacks. The consequences of cyber attacks range from service shutdown to direct or indirect impacts on the Company's revenue and reputation. This can occur through the infiltration of malicious software or exploitation of system vulnerabilities, leading to leakage of trademark secrets and customers' details, which will lead to financial losses, reputational damage, and regulatory non-compliance and even violating privacy protection laws; service unavailability, sensitive information leakage; shutdown of various core services such as cellular, television, and ILD and more. If the Company is unable to use its networks, suppliers, or other service providers, even for a short time, it could lead to large expenses (beyond its insurance coverage), loss of market share, lawsuits, and damage to its reputation and competitive position, which would have a significant negative impact on its financial results and status. The Company has plans to minimize the potential damage to itself and its customers as a result of the occurrence of these events, and to address cyber risks in compliance with, among other things, its Cellular license requirements.

26.1.9. If internal or external entity leaked, either intentionally or unintentionally, personal or business information or the possibility of an external entity to gain control over the Company's network components or to exploit information about the Company's infrastructure and networks, it could cause harm to the Company's business operations. The Company has invested in measures to minimize these risks, but there is no guarantee that they will be effective in preventing significant harm or disruption to the systems and related data.

26.2. **Industry risks**

26.2.1. Increased competition - the telecommunications market is highly competitive. The Ministry of Communications continues to work towards reducing barriers and expanding competition in various communication sectors. The current level of competition in most markets where the Company operates, along with the aggressive pricing plans offered by the company's competitors, are expected to continue. For details regarding competition in the cellular telecommunications sector see Section **Error! Reference source not found.** above. For details regarding competition in the fixed-line telecommunications sector see Section 11.4 above. For details regarding the Company's handling of competition in the telecommunications sector see Section **Error! Reference source not found.** above.

26.2.2. In this context, the realization of the following risks could potentially harm the Company's profitability:

26.2.2.1. Tariff erosion, including a decrease in the prices of service packages;

26.2.2.2. Offering services by a competitor in the wireline telecommunications market that do not comply with the Wholesale Market criteria, without enforcement actions conducted by the Ministry of Communications, or pricing or regulatory changes that would affect the company's ability to offer competitive service packages;

26.2.2.3. Lifting or easing of the structural separation imposed on Bezeq and Hot;

26.2.2.4. Entry of new competitors, including international companies, into markets in which the Company operates or competitors' activities in the same market under different regulation significantly burdening the Company;

26.2.2.5. Significant expansion of end-customers' ability to provide themselves with telecommunications services, including through an unlicensed third party;

26.2.2.6. The Company's inability to purchase sufficient frequencies and to invest sufficiently in its networks or businesses in general in order to maintain its competitive position;

26.2.2.7. Regulatory or technological changes that enable customers to switch between operators quickly and easily, including eSIM technology;

26.2.2.8. Competitors' ability to obtain access and preferential communication terms with international providers or foreign operators due to their belonging to international groups or having an exclusive arrangements;

26.2.2.9. Allocation of frequencies held by the Company to other companies, a demand for the return of frequencies already allocated to the Company, limitation of frequency use as stated or non-allocation of additional frequencies or their allocation under restrictive conditions;

26.2.2.10. An increase in the interest rate may affect the Company's ability to raise future debt.

26.2.2.11. An increase in the exchange rate may affect the Company's expenses.

26.2.3. Changes in legislation and high regulatory intervention regarding changes in legislation, regulatory intervention in the telecommunications market and the Company's activities, and court decisions may have a significant negative impact on the Company's operations, including but not limited to:

26.2.3.1. Imposition of alternative regulation regarding wholesale tariffs that does not benefit the Company, including setting high tariffs for wholesale services, and non-enforcement of regulation in the wholesale market that may harm the Company's competitive capabilities;

26.2.3.2. Granting benefits and advantages to the Company's competitors;

26.2.3.3. Changes in the allocation of frequencies by the Ministry of Communications that could negatively impact the Company's profitability. The MoC might prevent the Company from, among other things, using some of its existing frequencies spectrum, may limit its ability to use such spectrum (whether by demanding to share such use with others or placing other limits on such use) or may fail to respond to the Company’s demands for the allocation of additional spectrum or for the refarming of its existing spectrum (the conversion of existing frequencies to a different technology). The MoC might also require the Company to cease use of certain frequencies and require it to shift to other frequencies, which may involve investment in new radio infrastructure. In this context, the Ministry of Communications recently published a tender for the expansion of an integrated license to provide advanced mobile radio telephone (Cellular) services with advanced bandwidths that will enable the winners to provide advanced 5G services in the 26 GHz frequencies spectrum. The outcome of this tender may also have implications for the Company's operations. For further details regarding the 5G tender, see Section **Error! Reference source not found.** above.

Such measures may interfere with the Company's ability to efficiently operate its authorized frequency spectrum, reduce its ability to provide adequate services to subscribers, increase costs due to clearing a frequency spectrum, and place the Company at a competitive disadvantage. These events could negatively affect the Company's performance.

26.2.3.4. Establishing requirements for the installation of the Company's network with new frequencies that demand substantial investments without considering the Company's financial feasibility or its economic state, could have an impact on the Company's position.

26.2.3.5. Reducing barriers to entry and encouraging additional competitors to enter the telecommunications market, such as reducing requirements for obtaining a license or permit to provide telecommunications services, which could increase competition in the market.

26.2.3.6. Significant expansion of the current ability to provide self-service telecommunications services, including through a third party that does not have a license; providing better coverage than cellular operators' coverage by using multiple networks; Granting frequency allocations and permitting companies to offer cellular services that are exclusive and unavailable to the general public nationwide.

26.2.3.7. Setting additional safety or health regulatory requirements;

26.2.3.8. Imposing additional requirements or limitations regarding the establishment and operation of cell sites and networks, including changes in planning and building laws that may affect the Company's ability to establish new sites or harm the existing ones;

26.2.3.9. Imposing restrictions or extra conditions on the delivery of products and services, and/or interfering with their marketing, advertising, pricing, and delivery terms, even for existing agreements;

26.2.3.10. Imposing strict service standards, both in terms of network quality and coverage, and in terms of customer service;

26.2.3.11. Establishing timelines for the implementation of new requirements in a license or for the implementation of other legislation that the Company may have difficulty complying with;

26.2.3.12. Establishing a stringent privacy protection policy that covers both the Company's commercial activities and those for the benefit of third parties.

26.2.4. Site licensing - according to the Planning and Building Law, 1965, the Company is required to obtain a building permit for some of the antennas it erects. The local committee or local licensing authority in each local authority is authorized to grant building permits, provided such permits are in accordance with National Outline Plan No. 36. If changes are made to National Outline Plan No. 36, including additional limitations and requirements to and on the process of constructing and operating communication facilities, this could have an adverse effect on the Company's ability to construct new cell sites, make the site licensing process more cumbersome and expensive, have an adverse effect on the Company's current network, and delay its future distribution. For further details regarding National Outline Plan No. 36 provisions, see Section **Error! Reference source not found.** above.

In addition, the Company, like other cellular operators in Israel, provide bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the planning and building authorities, and in light of the practice of the other cellular operators, there has not been requested permits under the Planning and Building Law for the repeaters. However, the Company has received from the Ministry of Communications an approval to connect the repeaters to its communications network. In addition, the permits that are necessary for the repeaters have been received from the Ministry of Environmental Protection. If it is decided that obtaining a building permit is necessary for installing the repeaters mentioned, it may have a negative impact on the Company's ability to offer this solution to its customers.

In addition, the Company sets up microwave antennas as part of its conductivity network. The various types of microwave links receive permits from the Ministry of Environmental Protection in respect of their radiation level. Based on an exemption given to wireless access facilities in the Telecommunications Law, the Company believes that building permits are not required for the installation of most microwave antennas on rooftops. However, the Company is not aware of any definitive ruling on this matter by Israeli courts. If the courts determine that building permits are necessary for the installation of these microwave antennas, this may adversely affect the coverage, quality, and capacity of the Company's conductivity network and transmission.

26.2.5. Non-ionizing radiation from end-user equipment and sites - the Company has an approval from the MoC for selling and distributing all of the handsets and other end-user equipment it sells. The Ministry of Environmental Protection also has authority to regulate the sale of handsets in Israel, and under the Non-Ionizing Radiation Law, certain types of devices, which are radiation sources, including cellular handsets, have been exempted from requiring an approval from the Ministry of Environmental Protection so long as the radiation level emitted during the use of such handsets does not exceed the radiation level permitted under the Non-Ionizing Radiation Law. For further details regarding the permits required by the Company in relation to radiation levels emitted by its equipment, see section 21.5 above.

If public concerns regarding non-ionizing radiation intensify or if health risks associated with non-ionizing radiation are confirmed, or if deviations from radiation equipment standards are found on sites or on end-user equipment, or if court rulings are made against the Company or another cellular operator, or a settlement agreement is reached in a lawsuit relating to health damages, it could have a significant adverse impact on the Company.

26.2.6. Dependence on licenses - the Company provides telecommunications services in accordance with licenses granted by the Ministry of Communications, which are subject to change and extension from time to time. It is uncertain whether or not the Ministry of Communications will extend the Company's licenses and what conditions, if any, will be attached to the extension. For further details regarding the Company's license and its terms, see Section 22.2 above.

26.2.7. Technological changes and dependence on technology - the telecommunications market is characterized by rapid, significant technological changes, which require investment in advanced technology.

In order to respond to the increasing demand for cellular data traffic and new technological developments, such as IOT and its realization in smart cities, encrypted private networks and smart factories, the Company is among other things required to continue its investments to upgrade and expand deployment of the 4G network and adjusting it to new frequencies allocated in the 2020 frequencies tender, as well as deployment of the 5G network, in order to allow for larger capacity and faster data transfer capabilities, as well as prepare for the support of new technologies, among other things in relation to the support of private networks, on 5G networks in the NSA and SA configuration. An increase in the scope of data communications, both in the fixed-line and cellular networks, is expected to continue in the future.

Moreover, adopting new technologies and equipment makes the systems and services vulnerable to various types of malfunctions, including those that were previously undiscovered in the equipment or new technology, as well as malfunctions inherent in the transition process itself. In addition, the introduction of innovative technology that is not currently used by the Company or is prevented from being used by the Company may harm its competitive position.

Furthermore, the Company's operations depend on a number of complex information systems and technologies that are constantly changing and expanding. A malfunction in any of the Company's systems that affects its ability to provide services and products to customers or obligates them, could result in loss of revenue, damage to the Company's brand, and expose it to lawsuits and regulatory sanctions.

26.2.8. Times of emergency - there are legislative provisions and provisions in the Cellular license which, in times of emergency, grant parties authorized by law, power to take measures necessary for guarantee state security and public welfare. According to the Company's license terms, during time of an emergency, any authorized entity may take control of the Company's network in order

to ensure the provision of necessary services to the public, and expropriate part of the frequency spectrum allocated to the Company. In addition, the Company's license requires it to supply certain services to the Israeli defense and security forces.

26.2.9. Legal proceedings - against the Company there are material pending lawsuits, including class actions, as detailed in Section 24.1 above. Therefore, the company is exposed to the implications arising from these proceedings. The Company is party to legal proceedings filed against it from time to time, including: (a) consumer and privacy-related claims; (b) claims by employees, subcontractors, suppliers, lessees of properties, authorities, and others; these proceedings may require the Company to undertake expensive and complex process management, regardless of the validity of the claims against it.

26.2.10. Changes regarding the regulation of OTT television services - as of the Report date, online television services are not regulated in Israel. In July 2021, the Folkman Committee submitted its recommendations to the Minister of Communications. For further details regarding the Folkman Committee, see section **Error! Reference source not found.** above.

If legislation is adopted that requires the Company to make additional investments and/or imposes restrictions on the Company's online television services or restrictions on the Company but not on other online television service providers, such could have an adverse effect on the Company's activity and on the Company's online television services.

26.2.11. Privacy protection regulation - the Company' activity is affected by the provisions of the Protection of Privacy Law and its regulations with respect to managing and maintaining databases and protecting the data they contain, as well as by the guidelines of the Privacy Protection Authority. In May 2018, the Protection of Privacy (Data Protection) Regulations, 5777-2017, came into effect, imposing various duties on database owners, including the duty to set procedures and carry out data protection risk assessments, and the duty to use state-of-the-art data protection measures to protect information.

Several bills for amendment of the Protection of Privacy Law have been brought to the Knesset. Such bills include, among other things, a significant expansion of the supervision and enforcement powers of the Privacy Protection Authority. Insofar as a legislation that obligates the Company to make additional investments and/or imposes additional restrictions related to privacy protection will be enacted, it may adversely affect the Company's operations and expose it to legal proceedings on this matter.

26.3. **Specific Risk Factors**

26.3.1. Early termination of the Network Sharing Agreement with Hot Mobile - In 2013, the company entered into a long-term network sharing agreement with Hot Mobile, for further details see section 23.5 above.

The Network Sharing Agreement may be terminated or expire prior to the end of the 15-year period due to regulatory intervention in one of the following circumstances:

26.3.1.1. Pursuant to the Competition Commissioner Approval - as of April 22, 2021, the Competition Commissioner will be entitled to notify Partner and HOT Mobile that the network sharing is terminated, if at that time the Competition Commissioner will be of the opinion that PHI or its activities may adversely affect competition, in which case the parties will be required to cease sharing the active part of the shared network within two years and the passive parts within five years from the Competition Commissioner's notice to that effect;

26.3.1.2. In the event the parties are found to be in breach of any of the conditions set out in the Competition Commissioner Approval or in the MoU's Approval, the Competition Commissioner Approval or the MoU Approval might be terminated, which could create significant uncertainty as to the management of the shared radio access network;

26.3.1.3. PHI is operating under a special license granted by the Ministry of Communications on August 9, 2015. The term of the license is 10 years from the grant thereof. If the term of the license will not be extended, the companies may not be able to continue sharing the network.

Anyway, if and when the network sharing ends either due to regulatory intervention or other reasons, the Company will need to split the shared network with HOT Mobile. The resources, time, and expenses required to establish an independent nationwide network may be substantial and could materially harm the Company's business and operations at that time.

26.3.2. The Company's debt and ability to refinance - the Company is required to maintain sufficient cash flows to support its long-term business plan. The absence of sufficient cash flows may negatively impact the Company's operations, including its ability to meet its obligations, reduce its debt levels, make network investments on a large scale, and may also hinder its ability to compete with rivals in the industry. For further details regarding the methods of funding the Company's activities see Section 19 below.

26.3.3. Dependency on suppliers - the Company is dependent on a number of suppliers that provide it with communications network equipment, information systems, content and end-user equipment. The Company’s business results could be adversely affected if its suppliers fails to supply the necessary products or services at the level of quality or in the timeframe required. For further details regarding the Company’s main suppliers and its dependency on suppliers, see Section 16 above.

26.3.4. Impairment - the company conducts, in accordance with accounting standards, valuations of the sectors in which it operates for the purpose of examining the periodic devaluation of the Company's goodwill and assets for which there are indications of devaluation. Considering the gap, insofar as there is any, between the fair value of the Company's books and the amount of their repayment as a cash-generating unit, as a decline in the value of the sectors' activities may result in a write-down in the Company's books. The valuations are based on assumptions as of the reports date, which may not materialize or only partially materialize, and various factors affect the intensity of the sectors' value when assumptions about the long-term horizon may have a significant relative weight compared to assumptions about the short-term horizon. These valuations are sensitive to values in the representative year, and to the discount rate and the permanent growth rate.

26.3.5. Employee unionization - apart from the labor law, the Company arranges the employment terms of its employees, with the exception of senior employees and other employees who are employed under personal agreements, through special collective agreements that are signed from time to time between the Company and the New Histadrut. For further details regarding the collective agreements, see Section 15.4 above.

26.3.6. On December 2021, the collective agreement was renewed for a period of three years; some of the clauses were signed for one year and will be reviewed at the end of each year. Failure to reach an agreement with the employees may lead to disruptions in the Company's operations or to work stoppages that will adversely affect the Company's business performance and financial situation, and limit the management's flexibility to efficiently manage the Company's business and adapt its operations to market conditions, including the ability to make organizational and manpower changes.

26.3.7. The Histadrut may limit the Company's ongoing activities and require significant management attention. Disagreements with the Histadrut may have a negative impact on the services and customer service provided by the Company.

26.3.8. Fault or failure in core systems - the Company provides its services through various infrastructure systems, including networks, information systems, cables, switches, physical infrastructures, and more. These systems are critical to the Company's operations and play a vital role in its ability to perform its activities. Temporary or prolonged crashes, failures, damages, or malfunctions may adversely affect the Company's business. Some of the systems have backup. Nevertheless, in the event of damage to any or all of the systems due to technical failure, natural disaster, or physical infrastructure damage, significant difficulties may arise in the Company's service delivery. For each such scenario and for each core system, the Company maintains a mitigation plan, controls, and a course of action to handle such failures, aimed at minimizing the damage that may be caused to the Company's business.

26.3.9. Unavailability of server farms - the unavailability of the Company's server farms service to customers may cause harm to customers, expose information, legally expose the Company, and damage the Company's reputation. To prevent such failures, the Company operates a system for detecting cyber attacks on the infrastructure, in addition to various physical protections, whose purpose is to ensure the best possible protection for the server farms operated by the Company.

26.3.10. Property and liability risks - the Company is exposed to property risks, business disruptions, and various obligations. The Company relies on an expert external insurance advisor. The Company has insurance policies that cover the risks commonly associated with its operations, subject to limitations and conditions of the policies, such as various property insurance, including profits loss, various liability insurance, directors and officers' liability insurance and cyber insurance. Although the Company is covered for various potential damages that may arise in connection with its activities, not all possible risks are covered or can be covered by the various policies that have been arranged. Therefore, insurance payouts, to the extent accepted, may not necessarily cover the full extent of the damages and/or all possible losses, including damages to third parties, potential profits loss, and damage resulting from terrorism, war, cyber, electromagnetic radiation, human error, frauds and criminal activities. Additionally, there are certain insurances that the Company may decide not to purchase at all for various reasons, such as lack of financial viability, and there is no certainty that suitable policies will be available in the future under reasonable commercial terms or at all.

26.3.11. Credit sale - a significant portion of the end-user equipment sales are made with the option of installment payments. The vast majority of these payments, which are not covered secured, are exposed to risk. However, it should be noted that credit sales are dispersed among a large number of customers and the company has efficient and well-established collection mechanisms.

26.4. **Risk Factors Table**

The table hereunder presents the risk factors described above, based on qualities, ranked by the Company's management, according to their impact on the Company's overall business:

Type of risk	Risk Factors	Extent of impact on Company's business		
		High Impact	Moderate Impact	Low Impact
Macro risks	Dependence on macroeconomic factors that affect business activity in the economy		X	
	Regional conflict and political or economic instability	X		
	Judicial reform		X	
	Natural disaster	X		
	Epidemic			X
	Supply chain			X
	Information security, cyber defense	X		

Type of risk	Risk Factors	Extent of impact on Company's business		
		High Impact	Moderate Impact	Low Impact
Industry risks	Increased competition		X	
	Legislative changes and strong regulatory intervention		X	
	Site licensing		X	
	Non-ionizing radiation from end-user equipment and sites			X
	Dependency on licenses		X	
	Technological changes and dependence on Technology	X		
	Times of emergency		X	
	Legal proceedings			X
	Changes regarding the regulation of OTT television			X
	Privacy protection regulation			X
Risks unique to the Company	Early termination of the Network Sharing Agreement with Hot Mobile		X	
	The Company's debt and ability to refinance			X
	Dependency on Suppliers			X
	Impairment		X	
	Employee unionization			X
	Fault or failure in core systems	X		
	Unavailability of server farms		X	
	Property and liability risks			X
	Customers credit			X

The Company's estimation regarding the above risk factors, including the extent of impact of the risk factor on the Company, is deemed forward-looking information as defined in the Securities Law, based on Company information as of the Report date, and also including Company estimations and analysis. The impact of the realization of any given risk factor could be different from the Company's estimations, among other things due to factors that are not necessarily under the Company's control. In addition, the Company may be exposed in the future to additional risk factors, and the impact of each risk factor, if realized, may be different from the Company's estimation.

Appendix A - Glossary

Legislation:

The Consumer Protection Law	-	The Consumer Protection Law, 1981
The Economic Competition Law	-	The Economic Competition Law, 1988
Companies Law	-	The Companies Law, 1999
The Broadcasting Distribution through Digital Broadcast Stations Law	-	The Broadcasting Distribution through Digital Broadcast Stations Law, 2012
The Non-ionizing Radiation Law	-	The Non-ionizing Radiation Law, 2006
The Concentration Law	-	The Law for Promotion of Competition and Reduction of Concentration, 2013
The Second Authority Law	-	The Second Authority for Television and Radio Law, 1990
The Economic Competition Law	-	The Economic Competition Law, 1988
The Planning and Building Law	-	The Planning and Building Law, 1965
Telecommunications Law	-	The Telecommunications Law (Telecommunications and Broadcasting), 1982
The Regulation of Security in Public Bodies Law	-	The Regulation of Security in Public Bodies Law, 1998
Securities Law	-	The Securities Law, 1968
The Class Actions Law	-	The Class Actions Law, 2006
The Telecommunications Rules	-	The Telecommunications Rules (Broadcasting Licensee), 1987
The Telegraph Ordinance	-	The Wireless Telegraph Ordinance [New Version], 1972
The Usage Regulation	-	The Telecommunications Regulations (Telecommunications and Broadcasting) (Use of the Public Telecommunications Network of NIO), 2014
The Telecommunications Order	-	The Telecommunications Order (Telecommunications and Broadcasting) (determination of an essential service provided by Bezeq, the Israel Telecommunications Company Ltd.), 5777-1997
General Permit Regulations	-	The Telecommunications Regulations (Telecommunications and Broadcasting) General Permit for Providing Telecommunications Services, 2022
The Planning and Construction Regulations (Exemption from the Permit)	-	The Planning and Construction Regulations (Works and Buildings Exempted from the Permit) 2014
Consumer Protection Regulations	-	Consumer Protection Regulations (Information regarding Non-Ionizing Radiation from Cellular Phones), 2002
Prospectus Details Regulations	-	Securities Regulations (Prospectus Details, Draft Prospectus Structure and Form), 1969
Interconnectivity Regulations	-	The Telecommunications Regulations (Telecommunications and Broadcasting) (Payments for Interconnectivity), 2000
Satellite Broadcasting License Regulations	-	The Telecommunications Regulations (Telecommunications and Broadcasting) (Procedures and Conditions for Licensing Satellite Broadcasting), 1998

Additional Definitions

012 Smile	-	012 Smile Telecom Ltd.
012 Telecom	-	012 Telecom Ltd.
Advent	-	Advent Solutions Ltd.
Electra	-	Electra Consumer Products Ltd.
Amphissa	-	Amphissa Holdings Limited Partnership
Ericsson	-	LM Ericsson Israel Ltd.
Bezeq	-	Bezeq the Israel Telecommunication Corp. Ltd.
Bezeq International	-	Bezeq International Ltd.
Jawwal	-	The Palestinian Cellular Company - Jawwal
Golan Telecom	-	Golan Telecom Ltd.
Global 011	-	Quick Link 011 to Business Ltd.
The Company's Statements for 2022	-	The Company's consolidated financial statements for the year ended December 31, 2022
Dollar	-	US Dollar
Second Generation or G2	-	GSM Global System for Mobile Communications
Third Generation or G3	-	Universal Mobile Telecommunications Service UMTS

Fourth Generation or G4	-	LTE Long-Term Evolution
Fifth Generation or G5	-	5G Non-Standalone NSA
Hot	-	Hot Communications Systems Ltd., and corporations under its control that operate in the field of telecommunications
Hot Telecom	-	Hot Telecom Ltd.
Hot Mobile	-	HOT Mobile Ltd.
Wecom	-	Wecom Mobile Ltd. (formerly Xfone 018)
"The TASE"	-	The Tel Aviv Stock Exchange Ltd.
The Histadrut	-	The General Organization of Workers in Israel
The Company or Partner	-	Partner Communications Ltd. and corporations under its control
The Council	-	The Second Television and Radio Authority
NASDAQ	-	National Association of Securities Dealers Automated Quotations (Nasdaq) US
The Second Authority	-	The Second Television and Radio Authority
Wataniya	-	Ooredoo Palestine לשעבר Wataniya Mobile Palestine Telecommunication Company or Wataniya Mobile
Telzar	-	Telzar International Telecommunications Ltdץ
Telecom Israel	-	S.B. Israel Telecom Ltd.
Triple	-	A bundle of services including fixed-line telephony, broadband infrastructure and multi-channel television
yes	-	DBS D.B.S. Satellite Services (1998) Ltd
LB ANNATEL	-	LB Annatel Ltd
ILD	-	International calls services
Mavenir	-	Mavenir Systems Limited
Mobile 019	-	019 International Telecommunications Ltd.
Switching	-	In the context of a telecommunications network - a telephony system that supports the connection of devices for transferring calls between different end units
Mbps	-	Megabits per second; Measurement unit for data transfer speed
NIO	-	National interior operator; A body that provides fixed-line interior telephony services under a general or unique NIO license
Roaming	-	Roaming services allow a customer of one telecommunications network to receive services from another telecommunications network other than their "home network" (the network with the license he subscribes to), based on roaming agreements between the home network and the host network
Cellcom	-	Cellcom Israel Ltd. and corporations under its control Pelephone Communications Ltd.
Cellact	-	Cellact Communication Ltd
POP	-	Point of presence
The Fibers Project	-	The Company's plan for the deployment of ultra-broadband fixed-line infrastructure that includes a massive deployment of fiber optics across the country on a large scale that will enable the offer of ultra-fast Internet services.
Free Telecom	-	Free Telecom Ltd.
Primo Communications	-	099 Primo Communications Ltd
Pelephone	-	Pelephone Communications Ltd. (from Bezeq Group)
Paltel	-	Palestine Telecommunications Company
Partner TV	-	Television services over an internet-based offered by the Company
The RGE Group	-	RGE Group Ltd.
Ip Connection to Exchange Services	-	SIP voice trunks
Keshet	-	Keshet Broadcasting Ltd.
Cellular	-	Mobile radio telephone phone; Cellular telephony
Unified General License **Unified License**	-	A general license that is one of the following or a license that unites several thereof: a unique general license; a general mobile radio telephone license in another network; a general license for the provision of Bezeq International services; a special license for the provision of network endpoint services; Special license for the provision of Internet services.
NIO License	-	General or unique general license for the provision of fixed-line interior telecommunications services
Cellular License	-	General license for the provision of mobile radio telephone services - in the cellular method
Broadcasting license	-	License for satellite television broadcasts
Rami Levy	-	Rami Levy Cellular Communications Ltd.
ILA	-	Israel Lands Authority

Bezeq Services	-	Performing telecommunications operations (transmission, transfer or reception of signs, signals, writing, visual forms, sounds or information, using wire, wireless, optical system or other electromagnetic systems) for others
Transmission Services	-	Electromagnetic signal transmission or bit sequence
Cellular Communication Services	-	Network services for data transfer from point to point, data transfer between computers and various communication networks and remote business access services
Reporting Period	-	Twelve months ended December 31, 2020
IIF	-	Israel Infrastructure Fund III Limited Partnership
ADSL	-	Wholesale Bit Stream Access service provided over Bezeq's network
BSA	-	Bitstream Access, a managed high-bandwidth access that enables service providers to connect to the network of the infrastructure owner and offer broadband services to subscribers
CPEs	-	Customer-Premises Equipment
xDSL	-	Digital Subscriber Line Technology that uses the copper wires of telephone lines to transmit data at high rates by using frequencies higher than the audible frequency and therefore allows simultaneous use of call and data transmission
DTT	-	Digital Terrestrial Television- wireless digital broadcasting of TV channels via terrestrial relay stations
DID	-	Direct Inward Dialing
EPC	-	Evolved Package Core
eSIM	-	Embedded SIM - a technology that allows to replace the physical SIM card, that can be found today in every mobile phone (or any other device that supports a SIM card) with an internal and built-in non-removable SIM card controlled by a software built into the operating system
FTTH	-	Fiber To the Home
FREE TV	-	A joint venture to establish a multi-channel broadcast platform over the internet in collaboration between Keshet and the RGE Group
GSM	-	Global System for Mobile Communications - International Standard for Cellular Communication Networks ("2G")
HD	-	High Definition TV - High definition (broadcast) TV broadcasts
HSPA	-	High Speed Packet Access - Cellular technology that is a continuation of the UMTS standard that enables data transfer at high speeds ("3.5G")
IBC	-	ABC Israel Broadband Company (2013) Ltd.
IMS	-	IP Multimedia Sub System
IOT	-	Internet of Things, a network that consists of electronics, software, and sensors, among other things, that enable advanced communication for collecting and sharing data between different end products via internet connectivity.
IP	-	Internet Protocol The use of this protocol enables convergence between voice (data) and contractual (video) services over the same network
IPVPN	-	A virtual private network (Virtual Private Network) based on an Internet Protocol (IP) which is established on the public network, and through which it is possible to: (a) allow end users to connect to the corporate network and perform remote access; And - (b) make a connection between the branches of the organization (intranet)
ISP	-	Internet Service Provider - has a special license to provide Internet access services (Internet Service Provider). The Internet access provider is the body that allows the end user to connect to the IP / TCP protocol that connects it to the global Internet network
IRU	-	Irrevocable and non-transferable right of use
LTE	-	Long Term Evolution - Fast WIFI mobile standard devices such as cell phones
MVNO	-	Mobile Virtual Network Operator - a virtual cellular operator, which uses the existing communication infrastructure of the cellular operators without the need for its own infrastructure
M2M	-	Machine to Machine, a network that includes sensors, controllers, and machines that communicate without human intervention.
NGN	-	Next Generation Network - the Company's communications network based on IP architecture
NPVR	-	Network Personal Video Recorder
OTT	-	TV content services provided via the Internet**.**
PBX	-	Private Branch Exchange - a business telephone system that provides multiple incoming and outgoing lines, call routing, voicemail, and call management features.
PHI	-	PHI Networks (2015) - (Limited Partnership)

PRI	-	Primary Rate Interface, network service that connects between the central offices and the Company's network, allowing businesses to make multiple calls simultaneously.
SA / NSA	-	Stand Alone / Non-Stand alone
SAR	-	The specific absorption rate of non-ionizing radiation emitted by mobile phones held close to the body, measured by the rate of absorption in living tissue. The SAR index - Specific Absorption Rate
SDH	-	Synchronous Digital Hierarchy - a standard for transmitting digital signals over optical fiber networks
SEC	-	United State Securities and Exchange
SVOD	-	Subscription Video On Demand
UMTS or G3	-	Universal Mobile Telecommunications System An international standard for cellular communications that is a development of the GSM standard ("3G")
VAS	-	Value-Added Services
VoB	-	Voice Over Broadband - telephony services and related services in IP technology using fixed-line broadband access services
VoC	-	Voice over Cellular Broadband - telephony services over a cellular data communication channel ("Mobile VoB Services")
VOD	-	Video on Demand - TV services on demand by the subscriber
VoIP	-	Voice over Internet Protocol - technology that enables the transmission of voice messages (telephony service delivery) via IP protocol
VoLTE	-	Voice Over Long Term Evolution - a technology that allows for voice calls to be made over the LTE network - a standard for high-speed wireless communication of mobile handsets.
Vims	-	Virtualized IMS
Wi-Fi	-	Wireless Fidelity - wireless access to the local internet network
XGSPON	-	XGS-PON, 10 Gigabit Symmetrical Passive Optical Network, which is an updated standard for fiber-optic transmission technology that supports high-speed symmetrical data rates of 10 gigabits per second (Gbps).
5G SA	-	Standalone 5G - dedicated core network for 5G, which is not dependent on the existing core network of LTE for signaling and data transfer. "The network will provide a fast and secure user experience beyond what currently exists
5G NSA	-	5G Non-Standalone - 5G network based on the existing core network of LTE, and it enables 5G services and performance.

Chapter B

Board of Directors' Report on the State of the Corporation's Affairs

December 31, 2022

The Company's Board of Directors is pleased to submit the Board of Director's Report on the State of the Corporation's Affairs for the one-year period ended December 31, 2022, in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Report Regulations**").

Financial indices that are not based on accepted accounting principles

As of the date of the report, the Company's management uses financial performance indices that are not based on the accepted accounting principles to estimate, monitor, and present the Company's financial performance. These indices are not a substitute for the information contained in the Company's financial statements. The following are details regarding the indices:

Index	Calculation method / components	Objectives of the index	Details
Adjusted EBITDA	Earnings before interest (net financing costs), taxes, depreciation and amortization (including amortization of intangible assets, deferred expenses - right-of-use and impairment/appreciation), share-based compensation expenses for employees and capital gain/loss	• For assessing ongoing operational performance, less depreciation and amortization expenses related mainly to past capital expenditures. • A common and widely used index among analysts, investors and other interested parties in the field • The management uses the index to monitor performance and make decisions regarding the ongoing operations of the business • The index is also required for the purpose of calculating debt conditions in respect of the Company's bonds and loans The index may not be comparable to other similarly titled indices for other companies. Adjusted EBITDA is not indicative of the Company's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted EBITDA' is meant to emphasize the fact that amortization includes the amortization of deferred expenses - right-of-use and impairment and revaluation, share-based compensation expenses for employees and capital gain/loss.	See Section 3.

Index	Calculation method /	Objectives of the index	Details
Adjusted Free Cash Flow	Cash flows from operating activities, less cash flows for the purchase of fixed assets and intangible and other assets (including grants), less lease principal and interest payments	• For assessing liquidity and comparing performance and coverage ratios with other companies in the sector. • Management also uses this indicator to manage and control of the level of cash available for debt service and repayment, planning capital expenditures and returning capital to investors The index may not be comparable to other similarly titled indices for other companies. The Adjusted Free Cash Flow is not indicative of the Company's historical operating results nor is it meant to be predictive of potential future results. The use of the term 'Adjusted Free Cash Flow' is meant to emphasize the fact that lease principal and interest payments that are included in cash flows for financing activities in the Company's statement of cash flows are subtracted from the calculation	See Section 3.

Index	Calculation method / components	Objectives of the index	Details
OPEX	Segment cost of sales – services, plus sales and marketing expenses, plus administrative and administrative and general expenses, plus credit losses, less depreciation and amortization expenses, less share-based compensation expenses for	• For assessing ongoing expenses of revenues from services, less depreciation and amortization expenses which are mainly related to past capital expenditures, and less the costs of equipment sales and others. The index may not be comparable to other similarly titled indices for other companies. The OPEX is not indicative of the Company's historical operating expenses nor is it meant to be predictive of potential future expenses.	See Section 3.

	employees and less capital gain/loss		

The following are details of the adjustments between the Company's net profit and Adjusted EBITDA in the years 2020, 2021 and 2022 (in NIS millions):

	2020	**2021**	**2022**
Profit (loss) for the year	17	115	(100)
Depreciation and amortization expenses included in profit	714	744	741
Goodwill amortization			304
Share-based compensation for employees	12	15	18
Financing expenses, net	69	64	66
(Income tax) tax benefit	(10)	16	(28)
Adjusted EBITDA	**822**	**922**	**1,057**

The following are details of the adjustments between the Company's cash flows from operating activities and Adjusted Available Cash Flows in the years 2020, 2021 and 2022 (in NIS millions):

	2020	**2021**	**2022**
Cash flows from operating activities	786	774	931
Cash flows for the purchase of fixed assets	(409)	(519)	(505)
Cash flows for the purchase of intangible and other assets	(164)	(153)	(179)
Grant received from the Ministry of Communications			37
Lease principal payments	(129)	(130)	(130)
Lease interest payments	(18)	(18)	(17)
Adjusted Free Cash Flow	**66**	**(46)**	**137**

The following are details of the adjustments between the expenses in the Company's statement of profit and loss and the OPEX in the years 2020, 2021 and 2022 (in NIS millions):

	2020	**2021**	**2022**
Segment cost of sales – services	2,128	2,156	2,157
Sales and marketing expenses	291	323	357
Administrative and general expenses	145	164	169
Credit losses	23	9	4
Depreciation and amortization expenses	(714)	(744)	(741)
Other expenses	(2)	(7)	(6)
OPEX	**1,871**	**1,901**	**1,940**

Chapter A: Explanations of the Board of Directors regarding the State of the Company's Business and Results of its Operations

1. Concise Description of the Company, its Business and Activity in the Reporting Period

1.1. General

The Company was incorporated in Israel in 1997 as a private company in accordance with the laws of the State of Israel, under the name Partner Communications Ltd. (the "**Company**") and in October 1999 was registered as a public company with the Company's shares traded in dual-listing on the NASDAQ Global Select Market ("NASDAQ") and on the Tel Aviv Stock Exchange ("TASE"). On January 26, 2023, the Company announced the voluntary delisting of its American Depository Receipts from the NASDAQ in order to concentrate the trading of its shares on the TASE.

On February 15, 2023, was the last trading day of the Company's American Depository Shares ("ADSs") on the Nasdaq Stock Market in the United States before they had been voluntarily delisted. On February 16, 2023, the Company submitted to the U.S. Securities and Exchange Commission (SEC) to terminate its reporting obligations to the SEC after meeting the required conditions. As of the date of the delisting of the Company's ADSs the NASDAQ Stock Exchange, the Company switched to a reporting format in accordance with the provisions of Chapter F of the Securities Law, which apply to corporations reporting in Israel, as until this date the Company submitted reports in Israel in accordance the provisions of Chapter E.3 of the Securities Law, applicable to dual companies. On February 16, 2023, upon submission of the necessary documents to the SEC, the Company's reporting requirements to the SEC were suspended. The specified delisting and termination of the aforementioned reporting requirements is expected to be completed within 90 days from February 16, 2023, insofar as the SEC does not oppose it.

As of the date of the report, the Company operates in the Israeli communications market in two business activity segments, which are reported as reportable segments in the Company's consolidated financial statements as of December 31, 2022 (the "Financial Statements"), the cellular segment and the fixed-line segment. For additional information, see Part 3 of Chapter A of the 2022 Periodic Report and Note 5 to the 2022 financial statements.

1.2. Review of Company Management regarding the Company's results of operations for 2022 and significant steps taken during this year:

Revenues in 2022 amounted to NIS 3,463 million, a growth of 3% compared to 2021, which

resulted from a 7% increase in revenues from services that was mostly offset by a 13% decrease in revenues from equipment. The increase in revenues from roaming services alongside the increase in revenues from the Internet, mainly due to the focus on the fiber-optic activity, led to a 15% increase in the Adjusted EBITDA.

The cellular segment continued to grow in revenues from services, for the second consecutive year, mainly due to an increase in revenues from roaming services and an increase in subscribers (less the removal of subscribers from the list in the fourth quarter of 2022 – see Section 5.4 of Chapter A of the Periodic Report) so that despite the decrease in sales from equipment, the segment recorded a 3% increase in revenues in 2022. The operating profit of the cellular segment grew by 45%. The cellular segment's adjusted EBITDA grew by 13% with an improvement in the profitability rate, mainly due to an increase in revenues from roaming services and a decrease in device maintenance expenses, which were partially offset by an increase in salary and related expenses, among other things, due to the effect of the special collective agreement, and an increase in roaming expenses.

In the fourth quarter of 2022, revenues from services in the cellular segment grew by 3% compared to the corresponding quarter last year. However, the decrease in cellular equipment sales led to a decrease of NIS 2 million in the segment’s total revenues compared to the fourth quarter of 2021. The cellular segment’s operating profit in the quarter remained unchanged compared to the corresponding period last year. The Adjusted EBITDA decreased by 3% compared to the corresponding period due to the trend in revenues described above, an increase in salary and related expenses and credit losses, and amounted to NIS 157 million, and constituted 27% of the segment’s revenues.

From an operational perspective regarding the cellular segment, from the beginning of the fourth quarter of 2022, approx. 189 thousand subscribers were removed from the Company's postpaid subscriber list, mainly due to a change in the counting of subscribers that led to the removal of M2M subscribers (SIM cards designated for use in machines) from the list, along with the removal of several tens of thousands of regular postpaid subscribers. In addition, starting from the fourth quarter of 2022, the counting of prepaid subscribers was changed, which led to the removal of approx. 94 thousand prepaid subscribers. Mainly as a result of these changes, the reported number of cellular subscribers decreased by 298 thousand subscribers in the fourth quarter of 2022. These changes, along with a net decrease of 59 thousand Ministry of Education subscribers, who had initially joined for a limited period, led to the fact that the number of

cellular subscribers at the end of 2022 amounted to approx. 2,744 thousand. After deducting these effects, the number of subscribers increased by 63 thousand in the past year. At the end of 2022, the rate of subscribers with 5G packages among the postpaid subscribers was 12%, which is an increase from 9% in 2021.

The annual cellular abandonment rate, not including Ministry of Education subscribers (who initially joined for a limited period) and the effect of the change in the counting of prepaid subscribers in the fourth quarter, was 27% compared to 28% in 2021. In a quarterly perspective, the abandonment rate in the fourth quarter of 2022, after deducting the Ministry of Education subscribers and the effect of the change in the counting of prepaid subscribers, amounted to 6.4% compared to 6.8% and 7.3% in the previous and corresponding quarters, respectively.

The monthly Average Revenue Per User (ARPU) reported from the cellular subscribers for 2022 amounted to NIS 51, the ARPU from cellular subscribers for 2022 was NIS 49, excluding the effects of the removal of the subscribers in the fourth quarter of 2022, a 2% increase from NIS 48 in 2021. The increase mainly reflects an increase in revenues from roaming services due to the market's recovery from the impact of the coronavirus, which was partially offset by continued price erosion, albeit at a lower level than previously measured. The ARPU reported in the fourth quarter was NIS 54, compared to NIS 48 in the corresponding quarter last year. Most of the increase, NIS 5, was due to the effect of the removal of the subscribers from the list in the fourth quarter of 2022, and the rest of the increase mainly reflects an improvement in revenues from roaming services.

In the fixed-line segment, 2022 marks the end of the main deployment stage of the Company's independent fiber-optic infrastructure. The number of households in connected buildings amounted to 955 thousand as of the end of 2022 and the penetration rate on Partner's fiber-optic infrastructure amounted to 30%, unchanged from 2021. The Company continues to deploy its fiber-optic infrastructure, although at a lower rate than previously measured, and expects that in 2023, only tens of thousands of households will be connected to this infrastructure compared to 255 thousand in 2022. The number of fiber-optic subscribers increased in 2022 by 75 thousand and amounted to 287 thousand subscribers at the end of the year. The number of TV subscribers was 220 thousand compared to 226 thousand in 2021.

Revenues from services in the fixed-line segment grew by 7% in 2022, mainly due to the growth in revenues from Internet and TV services. Revenues from the sale of equipment and others

decreased by 29% mainly as a result of the Company's decision during the last quarter of 2021 to switch to a model in which Internet routers are rented to private customers rather than sold. In a summary of 2022, the segment revenues grew by 3% compared to the previous year. In the fixed-line segment, an operating loss of NIS 292 million was recorded in 2022 after an impairment of goodwill in the amount of NIS 304 million. Operating profit for 2022 before goodwill impairment amounted to NIS 12 million, an increase of NIS 46 million compared to 2021. The adjusted EBITDA of the fixed-line segment grew by 18% compared to 2021, mainly as a result of the increase in Internet and TV services, which was partially offset by an increase in salary and related expenses.

In the fourth quarter of 2022, revenues from services in the fixed-line segment grew by 7% compared to the corresponding quarter last year, mainly in view of the growth in revenues from Internet and TV services, offset by a 31% decrease in revenues from the sale of equipment and others as a result of the switch to the router rental model as mentioned above, as well as a decrease in the sale of equipment to the business sector. The total revenues of the fixed-line segment in the fourth quarter of 2022 grew by 3% compared to the corresponding quarter last year. In the fixed-line segment, an operating loss of NIS 304 million was recorded in the fourth quarter of 2022 after an impairment of goodwill in the amount of NIS 304 million. Operating profit for the fourth quarter of 2022 before goodwill impairment amounted to zero, compared to an operating loss of NIS 1 million compared to 2021. The adjusted EBITDA of the fixed-line segment grew by 3% in the fourth quarter of 2022 compared to the corresponding quarter last year, mainly due to an increase in revenues from services in the fixed-line segment alongside a decrease in wholesale market expenses, which were mostly offset by an increase in salary and related expenses.

The Company's reported loss for the period in 2022 amounted to NIS 100 million. Excluding the effect of impairment including the tax effect of NIS 270 million, the Company's profit for the period in 2022 amounted to NIS 170 million, compared to a profit for the period of NIS 115 million in 2021. The Company's reported loss for the period in the fourth quarter of 2022 amounted to NIS 237 million. Excluding the effect of impairment, including the tax effect of NIS 270 million, the Company’s profit for the period in the fourth quarter of 2022 amounted to NIS 33 million compared to NIS 77 million in the corresponding quarter last year, when the fourth quarter of 2021 was affected by the recording of one-time income in the amount of NIS 43 million in respect of the signing of an assessment agreement with Income Tax for the years 2016

to 2019.

Payments for leases, presented in cash flows from financing activities according to IFRS 16 - Leases, amounted to NIS 147 million in 2022, a decrease of 1% compared to NIS 148 million in 2021. In the fourth quarter, these payments amounted to NIS 34 million, an increase of 6% compared to NIS 32 million in the fourth quarter of 2021.

Cash flow investments in fixed assets and intangible assets (CAPEX) in 2022 amounted to NIS 647 million, a decrease of 4% from NIS 672 million in 2021. In the fourth quarter of 2022 this investment amounted to NIS 98 million, compared to NIS 212 million in the fourth quarter of 2021. These decreases resulted mainly from the receipt of a grant from the Ministry of Communications in the amount of NIS 37 million in respect of the deployment of the 5G network and the rolling over of payments to the first quarter of 2023.

The adjusted free cash flow (before interest and including lease payments) for 2022 amounted to NIS 137 million, compared to a negative flow of NIS 46 million last year. In the fourth quarter, this cash flow amounted to NIS 20 million, compared to a negative flow of NIS 81 million in the corresponding period last year. This increase is due to an improvement in profit, a decrease in capital investments and working capital needs.

The net financial debt at the end of 2022 amounted to NIS 647 million, compared to NIS 744 million at the end of 2021, a decrease of NIS 97 million. The ratio of the Company's net financial debt to adjusted EBITDA at the end of 2022 was approx. 0.6 compared to a ratio of 0.8 at the end of 2021.

1.3. Significant events in and subsequent to the reporting period

1.3.1. In April 2022, a transaction was completed for the purchase of 49,862,800 Company shares by Amphissa Holdings, Limited Partnership, which constituted approx. 27% of the Company's issued and paid-up capital. See Section 1.2 of Chapter A of this periodic report.

1.3.2. In April 2022, the Company's CEO, Mr. Avi Zvi, and the Company's Chairperson, Ms. Osnat Ronen, announced their resignations.

1.3.3. In April 2022, Mr. Shlomo Rodav, Ms. Anat Cohen-Specht, Mr. Gideon Kadusi and Mr. Doron Steiger were appointed to the Company's Board of Directors. In May 2022, Mr. Avi Gabbay was appointed Company CEO and in July 2022, Mr. Shlomo Rodav was appointed Chairman of the Company's Board of Directors. In September 2022, Ms. Dganit Kramer was appointed Deputy CEO,

Ms. Miri Takutiel was appointed VP Finance of the Company and Mr. Yevgeny Dolkart was appointed VP Human Resources and Operations of the Company.

1.3.4. In July 2022, the Company signed a special collective agreement was signed effective until December 31, 2024. See Section 15.4 of Chapter A of this periodic report.

1.3.5. In August 2022, S&P Maalot affirmed the Company's ilA+ credit rating and the Company's Stable credit rating outlook.

1.3.6. In December 2022, the Company engaged with Bezeq for the acquisition of an irrevocable right-of-use for fiber optic infrastructure lines. See Section 14.1 of Chapter A of this periodic report.

1.3.7. In February 2023, upon submission of the documents required for delisting from the Nasdaq, the Company's reporting obligations to the SEC were suspended. See Section 1.1 of Chapter A of this periodic report.

1.4. The effect of the inflation, interest, and the USD exchange rate on the results during the period

During the reporting period, there were changes in the global economy which affected both the interest rates and the inflation rates in Israel. During 2022, inflation rose at a rate of 5.3%. In addition, from the beginning of the year, the Bank of Israel raised the interest rate in the economy from a rate of 0.1% to a rate of 3.25%, an increase of 3.15% for the period. At the end of February 2023, the Bank of Israel interest rate was 4.25%. The USD exchange rate increased in 2022 from NIS 3.110 on December 31, 2021 to NIS 3.5190 on December 31, 2022, an increase of 13.2%.

The following is an assessment of the direct impact of the increase in the inflation rate on the Company:

The Company does not have bonds or loans linked to the Consumer Price Index. The main effect of the increase in the inflation rate is indirect, on the lease expenses and frequency fees (the lease expenses are recorded as depreciation and financing expenses according to the IFRS 16). In 2022, the Company recorded depreciation and financing expenses for leases in the total amount of NIS 152 million and expenses for frequency fees in the amount of NIS 66 million.

The Company is not able to accurately estimate the effect of the inflation on its results. However, the Company estimates that an increase of each 1% in the inflation rate would result in an increase in those expenses of the Company of approx. NIS 2 million, before tax.

The following is an assessment of the impact of the interest rate increase on the Company:

The interest rate increase does not affect the Company's current cost structure directly. Nevertheless, with regard to the recycling of future debt and/or future debt raising, according to the Company's needs, to the extent that the interest rate environment in the economy is higher, the situation may affect the interest rate in such future raising of debt.

The following is an assessment of the impact of the interest rate increase on the goodwill impairment test:

The Company examined the effect of the interest rate increase for the purpose of examining the annual impairment of the goodwill. The increase in interest during the period resulted in an increase in the discount rate. This factor, together with other data, indicated an impairment of goodwill in December 2022. See Note 13 to the consolidated financial statements as well as the valuation work for examining and estimating the value of goodwill that is attached to the current report.

The following is an assessment of the impact of the USD exchange rate on the Company:

The Company has customers and suppliers in or linked to the USD exchange rate, with a net liability balance as of December 31, 2022 of NIS 56 million. An increase of each 1% in the USD exchange rate, compared to the exchange rate on December 31, 2022 will result in an increase in the Company's annual expenses of approx. half a million NIS, before tax.

The Company had operating expenses in 2022 in or linked to the USD in a total amount of approx. NIS 580 million (mainly inventory purchases). The Company is not able to accurately estimate the effect of the increase in the USD exchange rate on its results. However, the Company estimates that each 1% increase in the USD exchange rate throughout the year would have resulted in an increase in those expenses of the Company of approx. NIS 6 million, before tax.

2. **The financial position**

2.1. The following is the Company's financial position as of December 31, 2021 and 2022 (in NIS millions):

Item	As of December 31		Increase (decrease) between the years		Board of Directors' explanations
	2021	**2022**		**%**	
Current assets	1,489	1,574	85	6%	The increase was mainly due to an increase in the balances of the Company's cash and cash equivalents that were mainly offset by a decrease in short-term deposits
Non-current assets	3,904	3,393	511	(13%)	The decrease was due to a decrease in the goodwill balance and a decrease in long-term deposits that were partially offset by an increase in fixed assets, net
Total assets	**5,393**	**4,967**	**(426)**	**(8%)**	
Current liabilities	1,422	1,386	(36)	(3%)	The decrease was mainly due to a decrease in current maturities of bonds and loans
Non-current liabilities	2,112	1,799	(313)	(15%)	The decrease was mainly due to the repayment of bonds
Total liabilities	3,534	3,185	(349)	(10%)	
Equity	1,859	1,782	77	4%	The decrease was due to a decrease in retained earnings as a result of

					the loss for the period, including the effect of the impairment of goodwill, and a decrease in treasury shares
Total liabilities and equity	**5,393**	**4,967**	**(426)**	**(8%)**	

3. **Analysis of operating results**

3.1. The following is an analysis of the Company's operating results for the years 2021 and 2022 (in NIS millions):

Item				**Increase (decrease) between 2020 and 2021**		**Increase (decrease) between 2021 and 2022**		**Board of Directors' explanations**
	2020	**2021**	**2022**		%		%	
Revenues from services	2,508	2,635	2,829	127	5%	194	7%	The increase in 2022 reflects the increase in revenues from services in the cellular and fixed-line segments due to an increase in revenues from roaming services and growth in fiber-optic subscriptions. The increase in 2021 reflects an increase in fixed-line and cellular services as a result of growth in cellular and fiber-optic subscriptions, alongside an increase in revenues from cellular roaming services.
Revenues from	681	728	634	47	7%	(94)	(13%)	The decrease in 2022 reflects a decrease in sales in the cellular

equipment								segment and sales in the fixed-line segment. The increase in 2021 reflects higher sales of equipment in the cellular segment that were mainly offset by a decrease in the fixed-line segment.
Total revenues	3,189	3,363	3,463	174	5%	100	3%	
Cost of revenues	2,664	2,732	2,666	68	3%	(66)	(2%)	The decrease in 2022 mainly reflects a decrease in the cost of equipment consistent with the decrease in revenues from equipment and a decrease in wholesale market expenses, which were partially offset by an increase in salary and related expenses (including a one-time effect in respect of the special collective employee agreement signed in July 2022) and in roaming service expenses. The increase in 2021 mainly reflects an increase in equipment costs and depreciation and amortization expenses that was mainly offset by a decrease in Internet wholesale market expenses.
Gross profit	525	631	797	106	20%	166	26%	
Gross profit rate from total revenues	16%	19%	23%		3%		4%	
Sales and marketing, administrative and general expenses	459	496	530	37	8%	34	7%	The increase in 2022 mainly reflects an increase in salary and related expenses (including a one-time effect in respect of the special collective employee agreement signed in July 2022). The increase in 2021 mainly reflects an increase in salary and related expenses in the context of placing employees on unpaid leave in 2020 due to the Corona crisis.
Goodwill impairment	-	-	304	-	-	304	-	Goodwill impairment in the fixed-line segment
Other income, net	30	28	31	(2)	(7%)	3	11%	
Operating profit (loss)	96	163	(6)	67	70%	(169)	-	Before the effect of goodwill impairment in the amount of NIS 304 million, the operating profit for 2022 amounted to NIS 298 million, an increase of NIS 83% compared to 2021. The operating profit for 2022 includes a one-time negative effect of NIS 20 million in respect of the special collective employee agreement signed in July 2022

Financing expenses, net	69	64	66	(5)	(7%)	2	3%	The decrease in 2021 mainly reflects a one-time cost in 2020 in the amount of approx. NIS 7 million in respect of the partial early redemption of Series F Bonds during the year.
Share in losses of investees								
Profit (loss) before taxes on income	27	99	(72)	72	267%	(171)	-	Before the effect of goodwill impairment, the profit before taxes on income for 2022 amounted to NIS 232 million, an increase of NIS 134% compared to 2021.
(Income tax) tax benefit	(10)	16	(28)	26		(44)		Before the effect of goodwill impairment on the tax benefit in the amount of NIS 34 million, the taxes on income for 2022 amounted to NIS 62 million, an increase of NIS 78 million compared to 2021. The increase is due mainly to the pre-tax profit together with a one-time tax benefit in the amount of NIS 43 million in 2021 due to the signing of an assessment agreement with Income Tax for the years 2016 to 2019.
Profit (loss) for the period	17	115	(100)	98	576%	(215)	-	Before the effect of goodwill impairment in the amount of NIS 270 million, the profit for the period in 2022 amounted to NIS 170 million, an increase of NIS 48% compared to 2021.
Adjusted EBITDA	822	922	1,057	100	12%	135	15%	See note in operating profit (loss)

3.2 The following is an analysis of the Company's operating results for the fourth quarter of 2021 and 2022 (in NIS millions):

Item	**Q4**	**Q4**	**Increase (decrease) between the quarters**		**Board of Directors' explanations**
	2021	**2022**		%	
Service Revenues	675	705	30	4%	The increase reflects the increase in revenues from services in the cellular and fixed-line segments. These were mainly due to an increase in revenues from roaming services and growth in fiber-optic subscriptions.

Revenues from equipment sales and others	178	154	(24)	(13%)	The decrease reflects a decrease in sales in the cellular segment mainly due to a decrease in sales volumes and in the fixed-line segment mainly due to the switch to the renting of routers.
Total revenues	853	859	6	1%	
Cost of revenues	678	673	(5)	1%	The decrease mainly reflects a decrease in the cost of equipment consistent with the decrease in revenues from equipment and a decrease in wholesale market expenses that were offset by an increase in depreciation and amortization expenses.
Gross profit	175	186	11	6%	
Gross profit rate from total revenues	20%	22%			
Sales and marketing, administrative and general expenses	126	138	12	10%	The increase is mainly due to an increase in credit losses and salary and related expenses, as well as an increase in marketing and advertising expenses.
Goodwill impairment	-	304	304	-	Goodwill impairment in the fixed-line segment
Other income, net	7	9			
Operating profit (loss)	56	(247)	303	-	Before the effect of goodwill impairment, the operating profit for the fourth quarter of 2022 amounted to NIS 57 million, an increase of 2% compared to the fourth quarter of 2021, including a one-time negative effect in the amount of NIS 3 million in respect of the special collective employee agreement signed in July 2022
Financing expenses, net	14	12	(2)	(14%)	The decrease mainly reflects an increase in financing expenses.
Share in losses of investees					
Profit (loss)	42	(259)	301	-	Before the effect of goodwill impairment, the profit before taxes on income for the

before taxes on income					fourth quarter of 2022 amounted to NIS 45 million, an increase of NIS 7% compared to the fourth quarter of 2021.
Tax benefit	35	22	(13)		Before the impact of goodwill impairment on a tax benefit in the amount of NIS 34 million, income taxes for the fourth quarter of 2022 amounted to NIS 12 million, an increase of NIS 47 million compared to the fourth quarter of 2021, with the increase mainly reflecting the one-time tax benefit in the amount of NIS 43 million in the fourth quarter of 2021 due to the signing of an assessment agreement with Income Tax for the years 2016-2019, together with the increase in profit before taxes.
Profit (loss) for the period	77	(237)	(314)	-	Before the effect of goodwill impairment in the amount of NIS 270 million, the profit for the period in the fourth quarter of 2022 amounted to NIS 33 million, a decrease of 57% compared to the fourth quarter of 2021.
Adjusted EBITDA	250	248	(2)	-	

1. 3.3 The following are key financial data by operating segment (in NIS millions):

3.3.1 Cellular segment:

Item				**Increase (decrease) between 2020 and 2021**		**Increase (decrease) between 2021 and 2022**		**Board of Directors' explanations**
	2020	**2021**	**2022**		%		%	
Revenues from services	1,663	1,699	1,818	36	2%	119	7%	The increase in 2022 was mainly due to an increase in revenues from roaming services and an increase in the number of subscribers (less the effect of the removal of the post-paid subscribers from the list in the fourth quarter of 2022), these were partially offset by the erosion of prices that continued during 2022, although at a lesser level compared to the past. The increase in 2021 was mainly due to an increase in the number of cellular subscribers and a moderate increase in revenues from roaming services, which were partially offset by a decrease in revenues from connectivity fees and by the erosion of prices of cellular services.

Revenues from equipment sales and others	545	602	544	57	10%	(58)	(10%)	The decrease in 2022 reflects a lower volume of retail sales and a decrease in sales to wholesale customers. The increase in 2021 mainly reflects an increase in the volume of sales of cellular equipment to retail customers.
Total revenues	2,208	2,301	2,362	93	4%	61	3%	
Operating profit	73	197	286	124	170%	89	45%	The increase in 2022 mainly reflects an increase in revenues from roaming services and a decrease in depreciation, amortizations and device maintenance expenses, which were partially offset by an increase in salary and related expenses and by an increase in roaming expenses. The increase in 2021 is mainly due to an increase in revenues from cellular services and the decrease in expenses that resulted mainly from a decrease in depreciation and amortization expenses and credit loss expenses, network maintenance expenses, connectivity fee expenses and salary and related expenses, which were partially offset by the initial recording of expenses in respect of the government fiber-optic incentive fund that began operating in 2021.
Operating profit as a percent of total revenues	3%	9%	12%		6%		3%	
Adjusted EBITDA	533	616	695	83	16%	79	13%	
Adjusted EBITDA as a percent of total revenues	24%	27%	29%		3%		2%	

Cellular segment - continued

Item	Q4	Q4	Increase (decrease) between the quarters		Board of Directors' explanations
	2021	2022		%	
Revenues from services	431	444	13	3%	The increase is mainly a result of higher revenues from roaming services, which was partially offset by lower revenues from connectivity fees.
Revenues from equipment sales and others	149	134	(15)	(10%)	The decrease is due mainly to a lower volume of retail sales and a decrease in sales to wholesale customers.
Total revenues	580	578	(2)	(0%)	
Operating profit	57	57	-	-	The increase in revenues from roaming services was offset by an increase in salary and related expenses and credit losses and an increase in network maintenance expenses alongside a decrease in gross profit from equipment sales.
Operating profit as a percent of total revenues	10%	10%	-	-	
Adjusted EBITDA	162	157	(5)	(3%)	
Adjusted EBITDA as a percent of total revenues	28%	27%		(1%)	

3.3.2 Fixed-line segment:

Item				Increase (decrease) between 2020 and 2021		Increase (decrease) between 2021 and 2022		Board of Directors' explanations
	2020	2021	2022		%		%	
Revenues from services	993	1,066	1,136	73	7%	70	7%	The increase in 2022 mainly reflects the growth in revenues from Internet and TV services. The increase in 2021 mainly reflects the growth in revenues from Internet and TV services, which was partially offset by a decrease in revenues from international call services.
Revenues from equipment sales and others	136	126	90	(10)	(7%)	(36)	(29%)	The decrease in 2022 reflects the effect of the Company's decision during the fourth quarter of 2021 to switch to a model in which Internet routers are rented to private customers rather than sold. That decrease was mostly offset by an increase in revenues from business activity. The decrease in 2021 reflects the effect of the Company's aforementioned decision.
Total revenues	1,129	1,192	1,226	63	6%	34	3%	
Operating profit (loss)	23	(34)	(292)	(57)	-	(258)	(759%)	Before the effect of goodwill impairment in the amount of NIS 304 million, the operating profit for 2022 amounted to NIS 12 million, an increase in profit of NIS 46 million, which is mainly due to the increase in Internet and TV services, which was partially offset by an increase in salary and related expenses, and in depreciation and amortization expenses. The decrease in 2021 was due to an increase in depreciation and amortization expenses and TV content expenses that were partially offset by an increase in revenues from Internet and TV services.
Operating profit (loss) as a percent of total revenues	2%	(3%)	(24%)					Before the effect of goodwill impairment, the operating profit in 2022 was 1% of the total segment revenues.
Adjusted	289	306	362	17	6%	56	18%	

EBITDA								
Adjusted EBITDA as a percent of total revenues	26%	26%	30%		-		4%	

Fixed-line segment - continued

Item	Q4	Q4	Increase (decrease) between the quarters		Board of Directors' explanations
	2021	**2022**		%	
Revenues from services	274	292	18	7%	The increase mainly reflects the increase in revenues from Internet and TV services.
Revenues from equipment sales and others	29	20	(9)	(31%)	The decrease mainly reflects the effect of the Company's decision during the fourth quarter of 2021 to switch to a model in which Internet routers are rented to private customers instead of a sale model, as well as a decrease in sales of equipment to the business segment.
Total revenues	303	312	9	3%	
Operating profit (loss)	(1)	(304)	303	-	Before the effect of goodwill impairment in the amount of NIS 304 million, the operating profit for the fourth quarter of 2022 amounted to zero.
Operating profit as a percent of total revenues	(0%)	-			
Adjusted EBITDA	88	91	3	3%	
Adjusted EBITDA as a percent of total revenues	29%	29%	-	-	

As of the date of the report, the Company's management uses operational performance indices that are not based on the accepted accounting principles to estimate, monitor, and present each segment's operational performance. The following are details regarding the indices in the years 2020, 2021 and 2022:

Key operational indicators - cellular segment:

Index	**2020**	**2021**	**2022**	**Changes between 2020 and 2021**	**Changes between 2021 and 2022**	**The Company's explanations**
Cellular subscribers (in thousands, end of period)	2,836	3.023	2,744	187	(279)	Beginning in the fourth quarter of 2022, approximately 189 thousand subscribers were removed from the Company's postpaid cellular subscriber list, mainly due to a counting change that led to the removal of M2M subscribers (SIM cards designated for use in machines) from the list, along with the removal of several tens of thousands of regular postpaid subscribers. In addition, starting from the fourth quarter of 2022, the counting of prepaid subscribers was changed, which led to the removal of approx. 94 thousand prepaid subscribers. Mainly as a result of these changes, the reported number of cellular subscribers decreased by 298 thousand subscribers in the fourth quarter of 2022. These changes, along with a net decrease of 59 thousand Ministry of Education subscribers, who had initially joined for a limited period, led to the fact that the number of cellular subscribers at the end of 2022 amounted to approx. 2,744 thousand. After deducting these effects, the number of subscribers increased by 63 thousand in the past year.
Post-paid cellular subscribers (in thousands, end of period)	2,495	2,671	2,492	176	(179)	Net of the effect of the removal of the postpaid subscribers from the list in the fourth quarter of 2022 and Ministry of Education packages, the number of postpaid subscribers grew by 69 thousand subscribers in 2022.

Pre-paid cellular subscribers (in thousands, end of period)	341	352	252	11	(100)	Net of the effect of the removal of the prepaid subscribers from the list in the fourth quarter of 2022, the number of prepaid subscribers decreased by 6 thousand subscribers in 2022.
Average monthly revenue per cellular subscriber (ARPU) (in NIS)	51	48	51	(3)	3	The increase is mainly due to an improvement in revenues from roaming services together with the effect of the removal of the subscribers from the list in the fourth quarter of 2022
Average monthly revenue per cellular subscriber in NIS (ARPU), not including connectivity fees		36	39		3	
Abandonment rate of cellular subscribers (%)	30%	28%	33%	(2)	5	The annual cellular abandonment rate, after deducting the effect of the change in counting the prepaid subscribers in the fourth quarter of 2022 and the Ministry of Education subscribers, was 27% ion 2022, compared to 28% in 2021.

Key operational indicators - fixed-line segment:

Index	2020	2021	2022	Changes between 2020 and 2021	Changes between 2021 and 2022	The Company's explanations
Cellular subscribers (in thousands, end of period)	329	374	415	45	41	The increase was due to an increase in the number of fiber-optic subscribers. The increase was partially offset by a decrease in the number of subscribers in the wholesale market
Average maximum rate of fiber-optic subscription packages (Mbps)		563	589		26	
Households in buildings connected to Partner's fiber infrastructure (in thousands, end of period)	465	700	955	235	255	
Fiber-optic subscribers (in thousands, end of period)	139	212	287	73	75	An increase of 71 thousand subscribers on the Partner infrastructure and 4 thousand fiber-optic subscribers in the Bezeq infrastructure
TV subscribers (in thousands, end of period)	232	226*	220	(6)	(6)	While the number of subscribers is decreasing, there is an increase in the share of fiber-optic combination package subscribers in the mix of TV subscribers

4. **Liquidity**

The following are the Board of Directors' explanations regarding the Company's liquidity situation for the years 2020, 2021 and 2022 (in NIS millions):

Item				Increase (decrease) between 2020 and 2021		Increase (decrease) between 2021 and 2022		Board of Directors' explanations
	2020	2021	2022		%		%	

Net cash flow provided by operating activities	786	774	931	(12)	(2%)	157	20%	The increase in 2022 was due to an improvement in Adjusted EBITDA and a decrease in working capital needs. The decrease in 2021 was due to an increase in working capital needs.
Net cash flow used in investing activities	(581)	(727)	(219)	146	25%	(508)	(70%)	The decrease in 2022 was due to an increase in the investment in deposits. The increase in 2021 was mainly due to an increase in the purchase of fixed assets.
Net cash flow used in financing activities	(128)	(115)	(460)	(13)	(10%)	345	300%	The increase in 2022 reflects the raising of debt carried out in 2021. The decrease in 2021 was due to the repayment of bonds in 2020 that was financed by the issuance of shares.
Net increase (decrease) in cash and cash equivalents	77	(68)	252	(145)	-	320	-	
Balance of cash and cash equivalents at end of period	376	308	560	(68)	(18%)	252	82%	

Working capital

The surplus in the Company's working capital as of December 31, 2022 amounted to NIS 188 million, compared to NIS 67 million as of December 31, 2021. The change in the Company's working capital was mainly due to an increase in cash and cash equivalent balances and a decrease in current maturities of bonds and loans, which were partially offset by decreases in the balances of short-term deposits and in other receivables and debit balances.

5. **Financing sources**

The Company finances its activities mainly through the cash flow from operating activities, through the issuance of securities, including bonds and ordinary shares, and through loans from institutional entities and banking corporations. For additional information regarding the Company's financing sources, see Section 19 of Chapter A of this periodic report.

For information regarding the Company's bonds, see the appendix “Information regarding Bonds in Circulation as of the Date of the Report" attached to this report.

6.1. Bonds in circulation - see Chapter D below.

6.2. Supplier credit - see Section 17.3 of Chapter A of this periodic report.

6.3. Customer credit - see also Section 17.3 of Chapter A of this periodic report.

Chapter B: Corporate Governance Aspects

7. Corporate responsibility

Corporate responsibility at Partner is managed according to ESG (Environmental, Social, Governance) principles. The targets we set with regard to the environment, society and corporate governance are in line with our core business activities and are measured like any other business target in the Company. Every activity or initiative we take is evaluated according to its impact, while creating a balance between profit considerations and social and environmental well-being.

We promote activities that bring value to the interested parties - employees, customers, suppliers, investors and the community, and create long-term relationships based on transparency and fairness, and conduct an ongoing dialogue and conversation with them.

8. Code of ethics

The Company has adopted a code of ethics approved by the Company's Board of Directors, which establishes the basic values according to which it operates. The code of ethics includes norms regarding rules of conduct for the Company's officers, managers, employees and suppliers, which must be implemented alongside the provisions of the law and the Company's procedures.

The code of ethics is available for reference on the Company's website, at:
https://www.partner.co.il/globalassets/global/investor_relations/index.html?curPage=codeOfEthics

9. Directors with accounting and financial expertise

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of Directors according to Section 92(a)(12) of the Companies Law, 1999 (the "**Companies Law**"), is 3 directors, considering the nature of the accounting issues and the accounting control issues that arise in the preparation of the Company's financial statements, the Company's areas of activity, the size, volume and complexity of its operations. Currently, six directors with accounting and financial expertise serve on the Company's Board of Directors, Shlomo Rodav, Shlomo Zohar, Michal Marom-Brikman, Jonathan Kolodny, Doron Steiger and Anat Cohen-Specht. For additional information regarding these directors, see Appendix A to Chapter D of this periodic report.

10. Independent directors

As of the date of the report, the Company had not yet adopted a provision in its Articles of

Association regarding the proportion of independent directors in accordance with the provisions of the first supplement to the Companies Law. However, as of the date of the report, there are six independent directors serving in the Company, Shlomo Zohar, Anat Cohen-Specht, Michal Marom-Brikman, Gideon Kadusi, Jonathan Kolodny and Roly Klinger. For additional information regarding these directors, see Appendix A to Chapter D of this periodic report.

11. **Disclosure regarding the Company's Internal Auditor**

11.1. Information on the Internal Auditor: CPA Yehuda Motro served as the Company's Internal Auditor from 1999 until October 6, 2022. On November 22, 2022, the Company's Board of Directors approved the appointment of CPA Ofer Alkalay as the Company's Internal Auditor. CPA Alkalay graduated with a bachelor's degree in Economics and Accounting from Tel Aviv University, a bachelor's degree in Law from Netanya College and a master's degree in Law from Bar Ilan University. He is a Certified Internal Auditor (CIA) from the International Bureau of Internal Auditors (IIA) and has over 25 years of experience in investigative and internal auditing.

To the best of the Company's knowledge, the Internal auditor complies with the provisions of Section 146(b) of the Companies Law, and with the provisions of Sections 3(a) and 8 of the Internal Audit Law, 1992 (the "Internal Audit Law").

The Internal Auditor is an external service provider to the Company on behalf of Alkalay & Co., where he is a partner. In addition to his position as the Company's Internal Auditor, CPA Alkalay serves as the Internal auditor of the Israel Corporation Ltd., Amot Investments Ltd., the Danel Group, Carasso Real Estate Ltd., Shlomo Insurance, Spuntech Medical Industries Ltd., Nissan Medical Industries Ltd., Levinski Ofer Ltd. and Libental Holdings Ltd. To the best of the Company's knowledge, the Internal Auditor does not hold securities of the Company or of a related company. To the best of the Company's knowledge, the Internal Auditor does not serve in a position that creates or may create a conflict of interest with his position.

11.2. Manner of appointment: The appointment of CPA Ofer Alkalay as the Company's Internal Auditor was approved on November 22, 2022 by the Company's Board of Directors, after receiving the recommendation of the Audit Committee, which examined several suitable candidates for the position. After a thorough examination of his many years of education and experience, the Board found that CPA Ofer Alkalay is suitable to serve as the Internal

Auditor of the Company, taking into account, among other things, the type of company, its size, the scope of its activities and its complexity.

11.3. Identity of the Internal Auditor's organizational supervisor: In accordance with the provisions of Regulation 28.2.1 of the Company's Articles of Association, the Internal Auditor's organizational supervisor is Mr. Shlomo Rodav, Chairman of the Company's Board of Directors.

11.4. The Internal Auditor's work plan: The Internal Auditor's work plan is in an annual format. The work plan is determined according to the nature of the Company's business activity and the likelihood of malfunctions and exposures in its business activity, and considering the Company's risk survey. The audit plan is prepared in collaboration with the CEO, the Deputy CEO and the Audit Committee, which approves the work plan. The Company's current audit plan for 2023 was approved by the Audit Committee on December 26, 2022.

11.5. Scope of employment of the Internal Auditor: For the period January to October 2022 and for the year 2021, a total of NIS 1,152 thousand and NIS 1,458 thousand were paid to CPA Yehuda Motro, respectively (the amount includes provisions for a bonus recorded during the year and paid in the following year). In 2021, 101,870 share options and 23,594 restricted shares were granted to Mr. Yehuda Motro with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 464 thousand and the fair value of the restricted shares was approx. NIS 695 thousand.

According to the Company's equity compensation plan under which the securities were allocated to Mr. Yehuda Motro, in the event of termination of employment within a period of six months from the date of a change of control event in the Company (as defined in the plan), the offeree is entitled to full acceleration of all of the securities that have not yet vested at the time of termination of his employment, and for this matter, the transaction for the purchase of the shares by Amphissa on April 4, 2022 constitutes a change of control event for the purposes of the aforementioned plan. With the termination of Mr. Motro's employment on April 6, 2023, the share granted to him in 2021 will be fully vested.

The total financial remuneration paid to CPA Alkalay and his staff is based on an agreed rate of NIS 550 plus VAT per hour of work, without a reimbursement of expenses. In November-December 2022, the scope of CPA Alkalay's work was approx. 100 hours and 92 hours,

respectively. The scope of work is determined by the Audit Committee, taking into account the Company's structure, its complexity and characteristics. Exceeding the scope of hours is approved by the Audit Committee.

11.6. Conducting the audit: The Internal Auditor and the staff subordinate to him are required to perform the audit work while adhering to standards necessary for conducting a professional, reliable and independent audit of the audited entity.

11.7. Free access for the Internal Auditor: The Internal Auditor is given free access, as stated in Section 9 of the Internal Audit Law, including constant and unmediated access to the Company's information systems, including to financial data.

11.8. Internal Auditor's Report: The audit reports are submitted in writing to the Company's CEO and the members of the Audit committee, and are discussed in the Company's Audit Committee.

In 2022, the Internal Auditor submitted 25 audit reports to the Company (between seven and nine reports per quarter) which were discussed in the Audit Committee once each quarter.

11.9. Audit Committee's assessment of the Internal Auditor's activity: According to the Audit Committee's assessment, the scope, nature and continuity of the Internal Auditor's activity and his work plan are reasonable under the circumstances, and they are sufficient to fulfill the internal audit goals.

11.10. Remuneration of the Internal Auditor: The remuneration determined by the Audit committee amounts to NIS 550 per work hour (plus VAT), multiplied by the number of hours that will be spent, according to the audit plan as approved by the Company's authorized bodies. The Internal Auditor's remuneration is not variable and does not depend on the results of the audit and therefore, the Company's Board of Directors believes that the Internal Auditor's exercise of professional judgment is not affected by the manner of his remuneration.

12. **Disclosure regarding the Company's Independent Auditor**

12.1. Identity of the Independent Auditor

Starting in 1999, the Company's independent auditors are Kesselman and Kesselman PWC, accountants whose address is 146 Menachem Begin Road, Tel Aviv, 6492103 (the

"**Independent Auditors**").

12.2. The Independent Auditor's fee

The following are the fee expenses for the Company's Independent Auditors for audit services and services related to the audit in 2020, 2021 and 2022 (in NIS thousands):

	Audit and audit-related, including audit-related tax services*	Other services**	Total
2020	2,605	448	3,053
2021	2,743	513	3,256
2022	2,750	333	3,083

(*) The audit services include the audit of the Company's consolidated and solo annual financial statements, the review of the quarterly reports and the provision of accounting advice in connection with the accounting treatment during the Company's ordinary course of business. The tax services related to the audit include professional services provided for the Company's compliance with the requirements of the tax authorities, including the audit of tax reports.

(**) Other services mainly include consulting services on tax issues that are not related to auditing, assisting and accompanying the Company in tax audits, tax planning and consulting, except in connection with the audit. In addition, the other services include, among other things, accounting advice in connection with the accounting treatment during the Company's ordinary course of business, advice on the consequences of implementing new accounting standards and other accounting issues that occur from time to time.

The Company's Independent Auditor's fee is determined in negotiations between the Auditor and the Company's management and Audit Committee, according to the estimated rate for the provision of services, which is based on the amount of hours spent by the Auditor. The Independent Auditor's fee is approved by the Company's Board of Directors and General Meeting.

Chapter C - Disclosure regarding the Financial Reporting

13. **Information regarding bonds in circulation**

13.1. Information regarding bonds in circulation as of December 31, 2022 is attached as an appendix to the Board of Directors' Report.

13.2. As of the date of the report, as determined by the Company's Board of Directors, there are no warning signs as defined in Regulation 10(b)(14) of the Report Regulations and the Company is in compliance with all the financial covenants and the additional conditions and obligations stipulated in the trust deeds for the bonds it issued.

14. Disclosure regarding valuation

The following is information regarding a very significant valuations, in accordance with Regulation 8(b)(i) of the Report Regulations:

14.1. Valuation to examine and assess the value of goodwill in the Company's annual financial statements

Identification of the valuation subject:	The value-in-use of the fixed-line segment for the impairment test of goodwill that is recorded to the consolidated annual financial statements as of December 31, 2022 in accordance with
Timing of the valuation:	Dec. 31, 2022 The valuation was signed on March 27, 2023
Value of the valuation subject determined close to the valuation date:	NIS 1,964 million book value of operational assets in the fixed-line segment (the goodwill balance in the amount of NIS 407 million).
Value of the valuation subject determined according to the valuation:	NIS 1,660 million value of the fixed-line segment (the goodwill balance in the amount of NIS 103 million).
Information regarding the appraiser:	The valuation was performed by BDO Management and Consulting Ltd., which is part of the international BDO network. The work was carried out by a team led by CPA Sagiv Mizrahi, managing partner, who has a bachelor's degree in Applied Mathematics and a master's degree in Business Administration (MBA) and has over 10 years of experience in business consulting.
Is there an indemnification agreement with the appraiser?	The Company undertook to indemnify the appraiser in an amount exceeding three times his fee unless he acted negligently or maliciously. In such cases, the indemnity will not apply.

Valuation model used by the appraiser:	Discounted Cash Flow method (DCF)
Assumptions according to which the appraiser performed the valuation, according to the valuation model:	After-tax nominal discount rate – 10.75% Pre-tax nominal discount rate – 12.76% Nominal permanent growth rate – 3% Percentage of residual from total value determined in valuation 93% Regarding other assumptions of the appraiser, see details in the document attached as an appendix to this Board of Directors' Report.

14.2. For further details regarding previous valuations that the appraiser carried out compared to the valuation attached to the Company's financial statements as of December 31, 2022 see the appendix "Disclosures required Regulation 8B of the Securities Regulations to the attached valuation.

14.3. For additional information see also Note 13 of the financial statements.

Chapter D - Information regarding Bonds in Circulation as of the Date of the Report

1. Information regarding bonds in circulation:

Series (**)	Issue date	Par value on issue date (in NIS millions)	Par value as of Dec. 31, 2022 (in NIS millions)	Par value as of Dec. 31, 2022, including linkage (in NIS millions)	Interest accrued (in NIS millions)	Financial statements balance as of Dec. 31, 2022 (in NIS millions)	TASE value (in NIS millions)	Type of interest	Principal payment dates	Interest payment dates	Linkage terms	Convertible	Right to early redemption
Series F	*July 20, 2017* *Dec. 12, 2017** *December 4, 2018** *December 1, 2019**	1020	255.803	255.803	0.106	256	251	Annual interest of 2.16%	Five payment from 2020 to 2024 (inclusive)	On June 25 and December 25 of each of the years 2017 to 2024	Unlinked	No	Subject to certain conditions
Series G	January 6, 2019 July 1, 2019* November 28, 2019* February 27, 2020* May 31, 2020* July 1, 2020* July 2, 2020* November 26, 2020* May 31, 2021*	850.8	765.751	765.751	15.944	772	767	Annual interest of 4%	Six annual payment: Four annual payments at a rate of 10% in the years 2022 to 2025 (inclusive), One payment in 2026 at a rate of 20% and one payment in 2027 at a rate of 40%.	On June 25 of the years 2019-2027 (inclusive)	Unlinked	No	Subject to certain conditions

Series H	December 26, 2021	198.4	198.407	198.407	2.148	197	174	Annual interest of 2.08%	On June 25 of the years 2025 to 2026 and 2028 to 2030 (inclusive)	On June 25 of the years 2022 to 2030 (inclusive)	Unlinked	No	Subject to certain conditions

(*) On these dates, Bond Series F and G were expanded, including through the exercise of options that were issued by the Company for Bonds (Series G).

(**) As of December 31, 2022, the Company's Bonds (Series F to H) are material and constitute more than 5% of the Company's total liabilities as presented in the financial statements. As of December 31, 2022, and during the reporting year, the Company met all the conditions and commitments under the trust deeds and the financial covenants determined in the trust deeds for the aforementioned Company Bonds, and no conditions existed for the immediate repayment of the Bonds. As of December 31, 2022, the Company has a ratio of net debt to Adjusted EBITDA (according to the meaning of the terms in the trust deeds) of 0.6 (where the commitment in the trust deeds is for a ratio not to exceed 5 for two consecutive quarters).

2. Information regarding the Trustee:

Series	Name of trust company	Name of person responsible for the bonds	Contact information	Address for sending documents
Series F	Hermetic Trust (1975) Ltd.	Meirav Ofer or Dan Avnon	Email: bonds@hermetic.co.il Phone: 03-5544553	Address: 113 Hayarkon, POB 3128, Tel Aviv 63573
Series G	Hermetic Trust (1975) Ltd.	Meirav Ofer or Dan Avnon	Email: bonds@hermetic.co.il Phone: 03-5544553	Address: 113 Hayarkon, POB 3128, Tel Aviv 63573
Series H	Hermetic Trust (1975) Ltd.	Meirav Ofer or Dan Avnon	Email: bonds@hermetic.co.il Phone: 03-5544553	Address: 113 Hayarkon, POB 3128, Tel Aviv 63573

3. Information regarding bond ratings:

Series	Name of rating company	Rating as of issue date	Rating as of report date	Additional ratings between the issue date and the report date		
				Rating dates[1]	Rating history	Current rating
Series F	Maalot Standard & Poor's Ltd. ("Maalot")	A+	A+	07/2017, 09/2017, 12/2017, 01/2018, 08/2018, 11/2018, 12/2018, 01/2019, 04/2019, 08/2019, 02/2020, 05/2020, 06/2020, 07/2020, 08/2020, 11/2020, 05/2021, 08/2021, 12/2021, 08/2022	ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilshA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+	A+
Series G	Maalot Standard & Poor's Ltd. ("Maalot")	A+	A+	12/2018, 01/2019, 04/2019, 08/2019, 02/2020, 05/2020, 06/2020, 07/2020, 08/2020, 11/2020, 05/2021, 08/2021, 12/2021, 08/2022	ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+, ilA+	A+
Series H	Maalot Standard & Poor's Ltd. ("Maalot")	A+	A+	12/2021, 08/2022	ilA+, ilA+	A+

Long-term issuer rating history:

August 2020, ilA+/Stable

August 2019, ilA+/Negative

July 2015, ilA+/Stable

Avi Gabbay
Company

Shlomo Rodav
Chairman of the
Board of Directors

Date of signing: March 27, 2023

Chapter C

Consolidated Financial Statements
December 31, 2022

Consolidated Financial Statements as of December 31, 2022
Partner Communications Company Ltd.

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Report of the Independent Auditor
To the Shareholders of Partner Communications Company Ltd.

We have audited the accompanying Consolidated Statements of Financial Position of Partner Communications Company Ltd. (hereinafter - the "Company") as of December 31, 2022 and 2021 and the Consolidated Statements of Profit or Loss, Comprehensive Income (Loss), Changes in Equity and Cash Flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set in the Auditor's Regulations (Auditor's Mode of Performance), 1973. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company's board of directors and management, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated entities as of December 31, 2022 and 2021 and the results of its operations, changes in equity and cash flows for each of the three years of the period ended December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We also audited the components of the Company's internal control over financial reporting as of December 31, 2022 in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Internal Control Components over Financial Reporting", and our report dated March 27, 2023 included an unqualified opinion on the effective maintenance of the components.

Key audit matters

A key matter in the audit detailed below is the matter that was communicated, or was required to be communicated, to the Financial Statements Review Committee and which, according to our professional judgment, was most significant in the audit of the consolidated financial statements for the current period. Key matters include, among others, any matter which: (1) relates to material items or disclosures in the financial statements and (2) our judgment, which was particularly challenging, subjective or complex. These matters are answered as part of our audit and the forming of our opinion on the consolidated financial statements as a whole. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole and we do not use it to provide a separate opinion on these matters or on the items or disclosures to which they refer.

Goodwill impairment test – the fixed-line segment

As described in Notes 2(H), 4(B) and 13(1) to the consolidated financial statements, the balance of the fixed-line segment goodwill in the Company's books is in the amount of NIS 103 million as of December 31, 2022. The Company's management tests for impairment at the end of each year, or more frequently whenever there is any sign of impairment of the unit to which the goodwill has been assigned. A possible impairment is identified by comparing the book value of the cash-generating unit, including goodwill, to its recoverable amount. The recoverable amount is the asset's fair value, less realization costs, or its value in use, whichever is higher. The recoverable amount of the fixed-line segment to which the goodwill was assigned was estimated by management using a discounted cash flow model. Management's cash flow projections for the fixed-line segment involved significant estimates and judgment relating to projected cash flows, the terminal growth rate and the discount rate.

The main considerations for our determination that the performance of audit procedures concerning the examination of the need for impairment of the fixed-line segment goodwill is a key matter in the audit are: (1) the significant judgment by the management when determining the recoverable amount of the fixed-line segment goodwill; (2) a high degree of judgment of the auditing accountant, subjectivity and effort in performing procedures and evaluating the management's significant assumptions related to the projected cash flows, the terminal growth rate and the discount rate; (3) the audit efforts included the use of experts with special skill and knowledge.

The reference to the issue included performing procedures and evaluating audit evidence in the context of formulating our overall opinion on the consolidated financial statements. These procedures included reaching an understanding, evaluating the design and testing the effectiveness of the controls over the goodwill impairment test process for the Company's fixed-line segment, including controls in connection with management's review of the significant assumptions described above. These procedures included, among other things, an assessment of the adequacy of the discounted cash flow model; a check of the completeness and accuracy of the model's underlying data; a comparison of the projected cash flows to the Company's historical cash flows; an assessment of the significant assumptions used by the management in determining the projected cash flows, the terminal growth rate and the discount rate, among other things, by evaluating the accuracy of the management's estimates in the past, performance of sensitivity analyses and an examination of the changes in the regulatory environment and in the Company's target markets. In addition, experts with special skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model and the discount rate assumption.

Tel Aviv,

March 27, 2023

Kesselman and Kesselman

Certified Public Accountants

A PricewaterhouseCoopers International Limited member firm



Report of the Independent Auditor to the Shareholders of Partner Communications Company Ltd.
Regarding the Audit of Components of Internal Control over Financial Reporting
In accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Partner Communications Company Ltd. and entities that were consolidated (hereinafter collectively - "the Company") as of December 31, 2022. These control components were determined as explained in the next paragraph. The Company's Board of Directors and management are responsible for conducting effective internal control over financial reporting and for evaluating the effectiveness of components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the components of the Company's internal control over financial reporting based on our audit.

The components of internal control over financial reporting that were audited by us were determined in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel - "Audit of Internal Control Components over Financial Reporting" (hereinafter - "Audit Standard (Israel) 911"). These components are as follows: (1) Controls on the organizational level, including controls over the process of preparing and closing a financial report and general controls over information systems; (2) Controls over revenues; (3) Controls over expenses; (4) Controls over wages; (5) Controls over fixed assets and other assets; (6) Goodwill (hereafter collectively - the "Audited Control Components")

We have conducted our audit in accordance with Audit Standard (Israel) 911. According to this Standard, we are required to plan and perform the audit in order to identify the audited control components and obtain a reasonable degree of assurance as to whether these control components have been effectively complied with in all material respects. Our audit included gaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk of material weakness in the audited controls components, and examining and evaluating the effectiveness of the planning and operating of those control components based on the assessed risk. Our audit, with regard to these control components, also included the performance of other such procedures that we found necessary according to the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the significant processes related to financial reporting, and therefore our opinion relates only to the audited control components. In addition, our audit did not address the interactions between the audited control components and those that are not audited and, therefore, our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent limitations, internal control over financial reporting in general, and components thereof in particular, may not prevent or detect misstatement. Also, drawing conclusions regarding the future based on any current effectiveness assessment creates exposure to a risk of the controls becoming unsuitable due to changes in circumstances or that the degree of compliance with policies or procedures will change adversely.

In our opinion, the Company has effectively maintained, in all material respects, the audited control components as of December 31, 2022.

We also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and our report, dated March 27, 2023, included an unqualified opinion on those financial statements.

Tel Aviv,

March 27, 2023

Kesselman and Kesselman

Certified Public Accountants

A PricewaterhouseCoopers International Limited member firm

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	Note	December 31 2022	December 31 2021
		NIS millions	
Current assets			
Cash and cash equivalents	6	560	308
Short-term deposits	6	202	344
Customers	7	586	571
Accounts receivable and debit balances	14	106	152
Deferred expenses – right-of-use of communications infrastructures	12	31	27
Inventory	8	89	87
		1,574	1,489
Non-current assets			
Long-term deposits	6		280
Customers	7	208	245
Deferred expenses – right-of-use of communications infrastructures	12	173	142
Leases – right-of-use asset, net	18	644	679
Fixed assets, net	10	1,780	1,644
Intangible and other assets, net	11	426	472
Goodwill	13	103	407
Deferred tax assets	24	59	34
Other long-term receivables			1
		3,393	3,904
		4,967	5,393

Shlomo Rodav	Avi Gabbay	Miri Takutiel
Chairman of the Board of Directors	CEO	CFO

Financial statements date of approval by the Company's Board of Directors: March 27, 2023.

The attached notes are an integral part of the consolidated financial statements.

	Note	December 31	
		2022	2021
		NIS millions	
Current liabilities			
Current maturities of bonds	6,15	215	216
Current maturities of bank loans	6,15	23	52
Suppliers		694	705
Accounts payable, credit balances and provisions	14	195	185
Current maturities of lease liabilities	18	126	125
Deferred and other revenue	9,14	133	139
		1,386	1,422
Non-current liabilities			
Bonds	6,15	1,010	1,224
Lease liabilities	18	562	595
Bank loans	6,15	161	184
Liability for severance pay, net	16	28	35
Other long-term liabilities and provisions	9,14	38	74
		1,799	2,112
		3,185	3,534
Equity	20		
Share capital		2	2
Share premium		1,209	1,279
Treasury shares		(94)	(164)
Retained earnings		665	742
Total equity		1,782	1,859
		4,967	5,393

The attached notes are an integral part of the consolidated financial statements.

	Note	For the year ended December 31		
		2022	2021	2020
		NIS millions (not including earnings per share)		
Revenues, net	5,21	3,463	3,363	3,189
Cost of revenues	5,21	2,666	2,732	2,664
Gross profit		**797**	**631**	**525**
Sales and marketing expenses	21	357	323	291
Administrative and general expenses	21	169	164	145
Goodwill impairment	13	304		
Credit losses	7	4	9	23
Other revenues, net	22	31	28	30
Operating profit (loss)		**(6)**	**163**	**96**
Financing income		9	4	8
Financing expenses	23	75	68	77
Financing expenses, net		66	64	69
Profit (loss) before taxes on income		**(72)**	**99**	**27**
Tax benefit (income tax)	24	(28)	16	(10)
Profit (loss) for the period		**(100)**	**115**	**17**
Earnings (loss) per share				
Basic earnings (loss) per share (in NIS)	26	(0.54)	0.63	0.09
Diluted earnings (loss) per share (in NIS)	26	(0.54)	0.62	0.09

The attached notes are an integral part of the consolidated financial statements.

	Note	For the year ended December 31		
		2022	2021	2020
		NIS millions		
Profit (loss) for the period		(100)	115	17
Other comprehensive income items for the period				
that will not be recorded to profit or loss				
Remeasurement of defined benefit plan	16	6	8	1
Deferred taxes related to the defined benefit plan	24	(1)	(2)	*
Total other comprehensive income for the period		5	6	1
Total comprehensive income (Loss) for the period		**(95)**	**121**	**18**

* Represents an amount less than NIS 1 million.

The attached notes are an integral part of the consolidated financial statements.

	Share capital	Share premium	Treasury shares	Retained earnings	Total equity
			NIS millions		
Balance as of January 1, 2020	**2**	**1,077**	**(238)**	**576**	**1,417**
Profit for the period				17	17
Other comprehensive income for the period, net of tax				1	1
Issuance of shares	*	276**			276
Exercise of options and vesting of restricted shares for employees (Note 20)	*	(42)	42		
Share-based payment for employees				12	12
Balance as of December 31, 2020	**2**	**1,311**	**(196)**	**606**	**1,723**
Profit for the period				115	115
Other comprehensive income for the period, net of tax				6	6
Exercise of options and vesting of restricted shares for employees (Note 20)	*	(32)	32		
Share-based payment for employees				15	15
Balance as of December 31, 2021	**2**	**1,279**	**(164)**	**742**	**1,859**
Loss for the period				(100)	(100)
Other comprehensive income for the period, net of tax				5	5
Exercise of options and vesting of restricted shares for employees (Note 20)	*	(70)	70		
Share-based payment for employees				18	18
Balance as of December 31, 2022	2	1,209	(94)	665	1,782

* Represents an amount less than NIS 1 million.
** Net of issue expenses in the amount of NIS 10 million.

The attached notes are an integral part of the consolidated financial statements.

	Note	For the Year ended December 31		
		2022	2021	2020
		NIS millions		
Cash flows from operating activities				
Cash flows provided by operating activities (Appendix)		982	791	787
Income tax paid	24	(51)	(17)	(1)
Net cash provided by operating activities		**931**	**774**	**786**
Cash flows for investing activities				
Purchase of fixed assets		(505)	(519)	(409)
Purchase of intangible and other assets		(179)	(153)	(164)
Grant received from the Ministry of Communications	17	37		
Investments in short-term deposits, net		142	67	141
Investment in long-term deposits			(280)	(155)
Repayment of long-term deposits		280	155	
Interest received		6	3	6
Net cash used in investing activities		**(219)**	**(727)**	**(581)**
Cash flows for financing activities				
Lease principal payments	18	(130)	(130)	(129)
Lease interest payments	18	(17)	(18)	(18)
Issuance of shares, less issue expenses	20			276
Proceeds from issuance of bonds, less issue expenses	6,15	(1)	220	466
Interest paid in respect of bonds and bank loans	23	(47)	(48)	(49)
Receipt of long-term bank loans	6,15		150	
Repayment of long-term bank loans	15	(52)	(52)	(52)
Repayment of bonds	15	(213)	(237)	(620)
Settlement of contingent consideration				(2)
Net cash used in investing activities		**(460)**	**(115)**	**(128)**
Change in cash and cash equivalents		252	(68)	77
Cash and cash equivalents at beginning of year		308	376	299
Cash and cash equivalents at end of year		**560**	**308**	**376**

The attached notes are an integral part of the consolidated financial statements

	Note	For the Year ended December 31		
		2022	2021	2020
		NIS millions		
Appendix to Statement of Cash Flows				
Cash provided by operating activities:				
Profit (loss) for the period		(100)	115	17
Adjustments:				
Depreciation and amortizations	10,11,18	710	713	683
Amortization of deferred expenses – right-of-use of communications infrastructures	12	31	31	31
Goodwill impairment	13	304		
Share-based payment for employees	20	18	15	12
Liability for severance pay, net	16	(1)	2	(1)
Non-cash financing expenses	23	(2)	(4)	(2)
Lease interest paid	18	17	18	18
Interest paid in respect of bank loans and bonds	23	48	48	49
Interest received	23	(6)	(3)	(6)
Deferred income tax	24	(27)	(7)	12
Income tax paid	24	51	17	1
Changes in asset and liability items:				
Change in accounts receivable and debit balances:				
Customers	7	22	(24)	82
Accounts receivable and debit balances		8	(70)	(6)
Change in accounts payable and credit balances:				
Suppliers		(22)	3	(57)
Accounts payable, credit balances and provisions	14	36	27	(70)
Change in deferred and other revenue	9	(37)	(24)	24
Payments in respect of deferred expenses – right-of-use of communications infrastructures	12	(66)	(56)	(47)
Change in inventory	8	(2)	(10)	47
Cash provided by operating activities		982	791	787

The attached notes are an integral part of the consolidated financial statements.

Note 1 – General

A. Incorporation and activity

Partner Communications Company Ltd. (the "Company" or "Partner") is a provider of telecommunication services (cellular, fixed-line, Internet and TV services) and operates mainly under the brand name Partner. The Company was incorporated in Israel and is a resident of Israel. Its registered main offices are at 8 Amal, Afek Industrial Park, Rosh HaAyin 48103, Israel The Company's business and assets are concentrated in Israel.
The Company's share capital consists of ordinary shares traded on the Tel Aviv Stock Exchange. See also note 20(A).

On January 26, 2023, the Company announced the voluntary delisting of its American Depository Receipts from the NASDAQ in order to concentrate the trading of its shares on the TASE. On February 15, 2023, was the last trading day of the Company's American Depository Shares ("ADSs") on the Nasdaq Stock Market in New York, USA before they were voluntarily delisted. On February 16, 2023, the Company submitted to the U.S. Securities and Exchange Commission (SEC) to terminate its reporting obligations to the SEC after meeting the required conditions. From the date of delisting of the Company's ADSs from trading on the Nasdaq stock exchange, the Company switched to a reporting format according to the provisions of Chapter F of the Securities Law, which apply to corporations reporting in Israel, where until this date the Company submitted reports in Israel according to the provisions of Chapter E.3 of the Securities Law, which are applicable to dual-listed companies. On February 16, 2023, upon submission of the necessary documents to the SEC, the Company's reporting requirements to the SEC were suspended.

As of the date of publication of the report, the Company’s controlling shareholder is Amphissa Holdings Limited Partnership, incorporated in Israel, which holds approx. 26.77% of the Company’s issued and paid-up share capital. The general partners in Amphissa are Israel Lighterage & Supply Co. Ltd., 50% of whose shares are held by Mr. Shlomo Rodav, and 50% are held by Mr. Roni Gat and his family members and Zela Holdings Ltd., a company wholly owned by the Company’s CEO, Mr. Avi Gabbay. Its limited partners are mostly institutional entities from the Phoenix Group, Clal and Menorah as well as from Arkin (1999) Ltd. and Zela Investments Ltd. (a company controlled by the Company's CEO and his family).
The Company's consolidated financial statements as of December 31, 2022 include the Company, its consolidated subsidiaries and partnerships (hereinafter - the "**Group**"). See a list of the subsidiaries and partnerships and the principles of consolidation in Note 2(C)(1). See also note 2(C)(4) regarding the investment in PHI.

In 2022, the Company recognized an impairment of goodwill - see Note 13.

The pandemic and the supply chain
As with other communications companies in Israel and around the world, the spread of the coronavirus has had a negative impact on the Company's activity from March 2020, in particular due to the significant decrease in the volume of international travel by the Company’s customers, which resulted in a very significant decrease in revenues from roaming services. The effect of the COVID-19 virus on revenues from roaming services began to weaken in the second quarter of 2021, so that in the second half of 2022 these revenues impacts from roaming services were no longer noticeable. Regarding the sales of end-user equipment and others, during 2022 COVID-19 continued to harm, among other things, imports to Israel and the supply of end-user equipment due to a global shortage of chips, which resulted in lower sales number of the new iPhone 14 model, which has been launched during 2022, as well as in a delay in the launch of new Samsung devices.

Note 1 – General

B. The Company's licenses and partnerships

The Company and its partnerships operate under the following licenses received from the Israeli Ministry of Communications (MOC), the Israeli Civil Administration (CA) and the Israeli Electricity Authority (EA):

	Type of service	Region of service	License holder	Licensing entity	License validity	Bank guarantees provided as of December 31, 2022 (NIS millions)
(1)	Cellular (radio, cell phone)	Israel	Partner Communications Company Ltd.	MOC	February 2032	22
(2)	Cellular (radio, cell phone)	Judea and Samaria (West Bank)	Partner Communications Company Ltd.	CA	February 2032	*
(3)	Cellular infrastructure	Israel	PHI Networks (2015) Limited Partnership	MOC	August 2025	
(4)	Land-line	Israel	Partner Communications Land-Line Solutions Limited Partnership	MOC	January 2027	3
(5)	Land-line	Judea and Samaria (West Bank)	Partner Communications Land-Line Solutions Limited Partnership	CA	January 2027	*
(6)	Electric energy	Israel	Partner Communications Company Ltd.	EA	October 2026	2

* Represents an amount less than NIS 1 million.

The Company also holds a trade license that regulates issues regarding sales and service of equipment, and several encryption licenses that allow the provision of encryption means as part of the provision of radio-telephone services to the public.

On October 18, 2021, the Ministry of Energy granted Partner a license to supply electricity without means of production to consumers; this license enables the Company to purchase electricity for its sale to consumers.

Regarding license (1): In November 2021, the cellular license was extended by the Israeli Ministry of Communications for an additional period of 10 years, until February 1, 2032.
License (2) follows license (1). See also Note 2(F)(1) regarding changes in accounting estimates made in connection with the estimated the useful life of the 2G and 3G frequencies.

The other licenses may be extended for different periods at the discretion of the entity that granted them.

See also Note 17(2) in connection with additional guarantees from banks and from financial institutions given to third parties.

Note 1 – General

C. Operating segments

The operating segments were determined on the basis of reports that are reviewed by the Company's CEO, who is responsible for allocating resources and evaluating the performance of the operating segments and is therefore the Company's Chief Operational Decision Maker. The CEO examines the business activity through two operating segments as described below (see also Note 5):

(1) Cellular segment:
In the cellular segment, the Company provides its customers with cellular communication services in Israel and related services, including voice calls, text messages, internet browsing and data transfer, as well as a variety of value-added services (VAS), device repair services, provision of services to other operators authorized to use the Company's cellular network, as well as advanced communications services for collecting and sharing information without human involvement such as M2M and IOT, which enable communication between different end devices. The value-added cellular communications services offered include, among other things, multimedia messages, voice mail, cyber protection, cloud backup, funtones, Myguard, antivirus and various services for business customers.
The Company offer its customers roaming services abroad, which allow a mobile phone subscriber to place and to receive cellular services while in the coverage area of foreign networks owned by operators with whom we have commercial roaming agreements. In addition, the Company sells cellular equipment and devices, as well as related accessories, mainly to retail customers but also to wholesale customers.

(2) Fixed-line segment:
In the fixed-line segment, the Company offers its customers several services that are provided on fixed-line networks, including: (a) Internet services, including Internet access through the fiber optic infrastructure of the Company or other infrastructure owners, as part of the wholesale market, value-added services (VASs), such as cyber protection, anti-virus services, spam filtering, and fixed-line voice communication services provided through Voice Over Broadband (VOB); (b) business solutions, IP voice trunks, Network Termination Point services - in which the Company provides, installs, operates and maintains endpoint network equipment and solutions, including supply and installation of equipment and cables in a customer site or premises, hosting services, transmission services, PRI services for businesses and other fixed-line communication solutions services; (c) international call services: outgoing and incoming international telephony services, call hubbing, roaming, signaling and calling card services; (d) TV services over the Internet (OTT) ("Partner TV"); and (e) transmission services for international communication operators: connections and data transfer services provided to international communication operators over the fiber optics infrastructure. In addition, this area of activity includes sales and leasing of electronic and end-user equipment, including cell phones, tablets, laptops, modems, data cards, routers, servers and related peripheral equipment, as well as equipment for integration projects.
In addition, the Company has entered into agreements with international telecommunications operators and large Israeli and international business customers for the sale of IRUs and lease of certain fiber optics in the Company's fiber-optic infrastructure ("dark fibers"), as well as maintenance and operation services with respect to such fibers. As part of these agreements, the Company has committed to maintaining and operating the fiber optics.

Each operating segment presents its revenues with a breakdown into equipment and services, along with the cost of sales. The operating segments include the following indicators: revenues, cost of sales and operating profit (see also Note 5). The Chief Operational Decision Maker does not examine the assets and liabilities of each segment separately for the purpose of allocating resources and examining the performance of the operating segments and therefore they are not presented in Note 5 - Operating Segments. Inter-segment pricing is determined according to the price established in transactions in the ordinary course of business. Segment results include items that can be directly allocated to the segment as well as those that can reasonably be allocated.

Note 2 – Significant Accounting Policies

A. Presentation basis for the financial statements

(1) Declaration of compliance with international reporting standards

The Company's consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS"), which are standards and interpretations published by the International Accounting Standard Board, and include the additional disclosure required by the Securities Regulations (Annual Financial Statements), 2010.

(2) Regarding the presentation of these financial statements, it should be noted that:

א. The significant accounting policies described below have been applied consistently in relation to all the years presented, unless otherwise stated.

ב. These financial statements were prepared in accordance with the historical cost convention, subject to adjustments due to the revaluation of compensation reserve assets, which are presented according to their fair values.

ג. The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. The preparation of the statements also requires the Company's management to exercise discretion in the process of implementing the Company's accounting policies. In Note 4, disclosure is given for significant areas in which considerable judgment or complexity is involved, or areas in which assumptions and estimates have a material effect on the financial statements. Actual results may differ materially from the estimates and assumptions used by the Company's management.

ד. The Company's operating cycle period is 12 months.

B. Translation of balances and transactions in foreign currency

(1) Functional currency and presentation currency
The consolidated financial statements are presented and measured in NIS, which is the Company's functional and presentation currency, and are rounded to the nearest million, unless otherwise stated. The NIS is the currency that represents the main economic environment in which each of the Group's companies operates.

(2) Transaction of transactions and balances
Transactions in a currency other than the functional currency (hereinafter - "foreign currency") are translated into the functional currency using the exchange rates in effect at the time of the transactions. Exchange rate differences, resulting from the settlement of such transactions and the translation of financial assets and liabilities denominated in foreign currency according to the exchange rates at the end of the year, are recorded to profit or loss under financing expenses, net.

Note 2 – Significant Accounting Policies

C. Rights in other entities and consolidated financial statements

(1) Subsidiaries and controlled partnerships
The consolidated financial statements include balances of the Company and of entities controlled by the Company. Subsidiaries and controlled partnerships are fully included in the consolidation starting from the date when control over them is achieved by the Company. Their consolidation is terminated when control ceases.
The Company has control of an entity when the Group has influence over the invested entity, has exposure or rights to variable returns from its involvement in the entity, and has the ability to use its influence over the invested entity to influence the amount of returns that will accrue to it from that entity.

(2) Transactions canceled in the consolidation
Reciprocal balances, Group transactions and unrealized income and expenses from intercompany transactions, were canceled in the preparation of the consolidated financial statements.

(3) List of subsidiaries and controlled partnerships:
- Partner Land-Line Communications Solutions - Limited Partnership (“Domestic Operator Partnership”)
- Partner Future Communications 2000 Ltd. (PFC)
- Get Cell Communication Products - Limited Partnership
- Partner Communications Solutions for Business - Limited Partnership - inactive
- 012 Smile Telecom Ltd. - inactive
- 012 Telecom Ltd. - inactive

(4) Investment in PHI - Joint arrangement and joint activity:
The Company and Hot Mobile Ltd. (“Hot Mobile”) (collectively - the “parties”) have signed a network sharing agreement. In accordance with the agreement, the parties established a limited partnership in equal parts - PHI Networks (2015) Limited Partnership (“PHI”), whose goal is to operate and develop the joint radio network for both parties based on both parties' radio network infrastructures to create one common radio access network. The parties also jointly established Net 4 P.H.I. Ltd., which serves as the general partner in PHI.

The control of PHI is in equal parts between the Company and Hot Mobile. Each of the companies appoints an equal number of directors. Decisions regarding PHI’s relevant operations require unanimous consent of the parties. PHI is considered a joint arrangement jointly controlled by the Company and Hot Mobile. The activities of the joint arrangement were designed to supply products to the parties to the arrangement. The terms of the joint arrangement give the parties rights to PHI’s assets and obligations for PHI's liabilities and expenses. In addition, the parties have rights to all the economic benefits from PHI's assets. PHI's liabilities are mainly paid by cash flows received from the parties to the arrangement, since the parties to the arrangement are actually the source of cash that contributes to PHI's continued operations. The Company handles its rights to the assets of PHI and its obligations to the liabilities and expenses of PHI as a joint arrangement, and recognizes its share of PHI’s assets, liabilities and results in accordance with IFRS 11. See also Note 9.

D. Inventory

Devices and apparatus: mainly cell phone and tablet sets, other accessories: mainly earphones, cases and watches, spare parts, as well as fixed-line phones, tablets, laptops, data cards, servers, modems, peripheral equipment and others are measured as the lower of cost and net realizable value. Net realizable value is an estimate of the sale price in the ordinary course of business, less an estimate of costs for completion and the estimated costs required to make the sale. The cost is measured on a "first in - first out" (FIFO) basis. The Company determines the provision for impairment and slow inventory based on past experience, inventory aging and forecasts for inventory turnover and existing and expected offers to customers. See also Note 8.

Note 2 – Significant Accounting Policies

E. Fixed assets

Fixed assets are initially measured at cost.
Subsequent costs are included as incurred in the value of the asset in the Company's books or recognized as a separate asset, depending on the case, only when it is expected that future economic benefits attributed to the fixed asset item will flow to the Company, and the cost of the item can be reliably measured. When part of a fixed asset item is replaced, its value is deducted from the books. All costs of repairs and maintenance work are recognized in the statement of profit and loss during the reporting period in which they arose.

Fixed assets include costs that can be directly attributed to the purchase of the asset. The cost of independently produced assets includes the cost of materials and direct labor, as well as any additional cost that can be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management, such as initial installation costs. The cost of purchased software that is an integral part of the operation of the related equipment is recognized as part of the cost of the equipment.

Fixed assets are presented at historical cost less accumulated depreciation and provisions for impairment. A provision for impairment is recognized when the book value of the asset is higher than its recoverable amount (see Note 2(I)). Depreciation is recognized in the statement of profit and loss according to the straight-line method over the estimated useful life of each part of the fixed asset items. The estimated useful life, the depreciation method and the residual values of the assets is reviewed at least once a year. See Note 4(A).

The depreciation rates are as follows:

	Years:
Telecommunications network	
Physical infrastructure	25-10
Other network equipment	15-3
Computers and information systems	7-3
Office furniture and equipment	15-7
Fiber optics and related assets	25-7
Subscription equipment and installations	7-2
Buildings	25

Leasehold improvements are depreciated using the straight-line method over the lease term (including extension options that are reasonably expected to be exercised) or their useful life (between 5 and 10 years), whichever is shorter.

Note 2 – Significant Accounting Policies

F. Intangible and other assets

(1) Cost of licenses and their amortization (see also Note 1(C)):

(a) Licenses for cellular services (and frequency costs) were recognized on a cost basis (mainly the costs of the frequencies allocated to the Company). The amortization of frequency rights is recorded to the cost of sales in the statement of profit or loss.

The costs of 2G and 3G frequencies allocated to the Company are amortized until December 31, 2030; see also regarding a change in estimate below. The costs of certain 4G frequencies allocated to the Company are amortized until August 9, 2025. The costs of the other frequencies allocated to the Company as part of the 5G frequency tender (see Note 17(1)) are amortized until February 1, 2032 and September 29, 2030, according to the right-of-use periods.

Change in an accounting estimate:
As of 2019, the cost of 2G and 3G frequencies have been amortized over a period ending on February 1, 2028.

On September 29, 2020, the Company's cellular license was updated, so that the Company will be entitled to request an extension of the cellular license for a period of 10 years (6 years have passed), subject to the discretion of the Ministry of Communications and the Civil Administration. Due to the high probability that existed in 2020 that the license period will be extended until February 1, 2032, the amortization period for 2G and 3G frequencies was updated in 2020 so that it ends on February 1, 2032. The effect of the change in estimate was a decrease in amortization expenses in the amount of NIS 2 million in 2020, and a decrease in the amount of approx. NIS 8 million in 2021. See also note 4(1)

In June 2021, the Ministry of Communications published a decision that for the first time defined the validity of 2G and 3G frequencies, separately from the validity of the license itself, so that the Company may also use these frequencies for the benefit of more advanced technologies until December 31, 2030. Therefore, the Company updated the amortization period for 2G and 3G frequencies so that it will end on December 31, 2030. The change did not have a material effect on the amortization expenses.

The decision also included the closing of the 2G and 3G networks in December 2025, which is not expected to have a material effect on the amortization expenses, since the Company expects to convert these frequencies in favor of the 4G network.

(b) The license of Partner Land-Line Communications Solutions - Limited Partnership for the provision of fixed-line services was recognized on a cost basis.

The rest of the licenses of the Company and its partnerships were obtained at no significant cost.

The purchase cost of the other licenses is amortized using the straight-line method over their useful lives, which does not include possible future extensions that are not controlled by the Company and its partnerships. Amortization expenses are recorded in the statement of profit and loss under the cost of sales. See also Note 1(B).

(2) Software:
Computer software and licenses to use computer software purchased are capitalized as intangible assets according to the cost of their purchase and their preparation for their intended use.

Development costs, including employee wage costs, that are directly attributable to the design, development and testing of identified and specific software products controlled by the Company are recognized as intangible assets when the conditions for capitalization set forth in IAS 38 are met. Other development costs and expenses that do not meet these conditions are recorded as current expenses as incurred.

Computer software is amortized over its useful life (between 3 and 10 years, mainly 3 years) according to the straight-line method, see also Note 11.

Note 2 – Significant Accounting Policies

F. Intangible and other assets

(3) Incremental costs for securing contracts with customers

Incremental costs for securing contracts with customers are capitalized to the asset when it is expected that the Company will recover these costs. Incremental costs for securing contracts with customers include incentives and additional fees paid to the Company's employees and marketers for securing contracts with customers. In subsequent periods, assets in respect of costs of securing contracts with customers are measured at cost less amortization according to the expected service period using a portfolio approach of contracts with similar characteristics and less accumulated impairment losses (2-6 years). The amortization expenses are recognized under sales and marketing expenses. See Note 11. Costs that would have been incurred regardless of whether the contract is obtained are recognized as an expense as incurred.

G. Deferred expenses – right-of-use of communications infrastructures

The rights to use international fiber optic cables purchased as part of a business combination, and subsequent additions, are recognized at cost, less impairment. The rights-of-use are presented as deferred expenses (short-term and long-term), amortized and recorded to the cost of sales on a straight-line basis over a period starting with the purchase of each additional right-of-use until the end of the right-of-use period (including expected extension periods), mainly until 2030. See also Notes 12, 17(4) and 17(6).

H. Goodwill

Goodwill is created in the context of a business combination and represents the excess of the purchase cost over the net fair value of the identified assets purchased and the liabilities and contingent liabilities assumed in the business combination. Goodwill has an indefinite useful life and is not subject to systematic amortization; instead, it is measured at cost, less impairment. For the examination of impairment, goodwill is assigned to a of cash-generating unit, which constitutes the entire fixed-line segment.

A goodwill impairment test is performed once annually, or more frequently if events or circumstances indicate that its book value will not be recoverable. Impairment will be recognized at the amount by which the value of the goodwill in the books exceeds its recoverable amount. The recoverable amount is the value-in-use or market value minus sale costs, whichever is higher. The value-in-use is determined by discounting expected future cash flows at the pre-tax discount rate. Any goodwill impairment loss is immediately recognized as an expense. Such a loss recognized in respect of goodwill will not be reversed in a later period. See also note 13(1) regarding the goodwill impairment that was recognized.

I. Impairment of non-financial assets with a finite useful life

Such amortizations and impairments are recorded to profit or loss. The amount of the recognized impairment loss is equal to the amount by which the book value of an asset exceeds its recoverable amount. The recoverable amount of an asset is the asset's fair value, less sale costs, and its value-in-use, whichever is higher. The value-in-use is determined by discounting expected future cash flows at the pre-tax discount rate. For the examination of impairment, the assets are divided into the lowest levels in respect of which there are separate identified cash flows (cash generating units). Non-monetary assets, with the exception of goodwill, that have experienced an impairment are examined for the purpose of identifying a possible cancellation of the impairment recognized for them on each financial statement date.

Note 2 – Significant Accounting Policies

J. Financial instruments

Classification into measurement categories:
The Company's financial instruments are classified into the Amortized Cost ("AC") measurement categories. See also Note 6 and Note 15.

Measurement category - amortized cost:
Financial assets, such as customers, receivables, short-term deposits, long-term deposits and cash and cash equivalents, are classified into an amortized cost measurement category as part of a business model whose aim is to hold financial assets in order to collect contractual cash flows, and their contractual terms provide entitlement at defined times to cash flows that are only principal and interest payments for the outstanding principal amount.

Financial assets in this group are initially measured at fair value plus transaction costs. These assets are measured in subsequent periods at amortized cost, based on the effective interest method and net of impairment losses. Interest income from customers is recorded in the statement of profit and loss under other income (see Note 22). Profit or loss from the disposal of financial assets is immediately recognized in the statement of profit and loss under financing income or expenses.

The Company recognizes a provision for loss in respect of expected credit losses on financial assets; the provision is presented as a deduction from the gross book value of the financial asset. The Company measures the provision for expected credit losses in respect of customers and contract assets in an amount equal to the expected credit losses throughout the life of the instrument. For the measurement of the provision, the customers are classified into groups according to credit risk characteristics, the payment period and the duration of the debt in arrears. The provision rates for each group are based on the payment profiles of the sales, and their corresponding credit losses according to past experience. Historical losses are adjusted to reflect forward-looking information regarding factors that affect customers' ability to repay debts. Financial assets are written off and disposed of when there are no reasonable expectations of recovery; indicators are, among other things, when the debtor fails to present a repayment plan and the debt is transferred for legal treatment.

Cash and cash equivalents include cash on hand and in banks, deposits in banking corporations whose deposit period does not exceed 3 months and which are not restricted. Short-term deposits are deposits in commercial banks for periods exceeding 3 months from the date of deposit and less than 12 months from the date of the report. Long-term deposits are deposits in commercial banks for periods exceeding 12 months from the end of the reporting period.

Financial liabilities such as suppliers, loans and bonds are initially measured at fair value less transaction costs and plus a premium. Subsequent to initial recognition, they are measured at amortized cost according to the effective interest method.

Short-term and long-term presentation:
Financial assets (or components of financial assets) are presented under current assets if they are expected to be repaid within 12 months from the end of the reporting period; otherwise they are presented under non-current assets. Financial liabilities are presented under current liabilities, with the exception of a component that is expected to be repaid after more than 12 months from the end of the reporting period.

Offsetting:
Financial assets and financial liabilities are offset and the net amounts are presented in the statement of financial position when, and only when, there is an immediate legally enforceable right (that is not conditional on the existence of a future event) to offset the recognized amounts, which is legally enforceable in all of the following circumstances: in the ordinary course of business, in the event of a credit default and in the event of insolvency or bankruptcy of the entity and of all counterparties, and there is an intention to settle the financial assets and the financial liabilities on a net basis or to realize the asset and eliminate the liability at the same time.

Note 2 – Significant Accounting Policies

K. Employee benefits

1. Post-employment benefits

(a) Defined contribution plan

Part of the Company's commitment to post-employment benefits is covered by a defined contribution plan, in which the Company makes deposits into separate and independent entities (mainly insurance companies or funds managed by a trustee) without the Group having a legal or implied obligation to make additional deposits. The Company's obligations to deposit in a defined contribution plan are recorded as an expense to profit or loss in the period during which the employees provided the related services.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan that is not a defined contribution plan. This benefit is presented at its current value less the fair value of the plan's assets and is calculated on an actuarial basis, which involves, among other things, determining assumptions regarding discount rates, salary increase rates and employee turnover rates. The defined benefit liability is calculated at least once a year by an independent actuary. The Company records remeasurements of the net defined benefit liability to other comprehensive income, in the period in which they arose. Interest expenses are presented in the statement of profit and loss under net financing expenses. See also note 16.

2. Severance pay benefits

Severance pay benefits are recognized as a liability when the Company has distinctly committed, without a real possibility of cancellation, to lay off employees before they reach the accepted retirement date according to a detailed formal plan, or to provide severance pay benefits as a result of an offer made to encourage voluntary retirement; or due to an offer to employees as part of a program that encourages voluntary retirement, and when it is expected that the offer will be accepted and the number of those who accept the offer can be reliably estimated.

3. Short-term employee benefits

Liabilities for short-term employee benefits, such as: vacation, convalescence, profit sharing, bonuses and benefits according to the collective agreement with the employees, are measured on a non-discounted basis, and the expense is recorded to the statement of profit and loss at the same time as the related service is provided. A liability in respect of short-term employee benefits is recognized in the amount expected to be paid, when the Group has an existing legal or implied obligation to pay the amount for service provided by the employee in the past and the obligation can be reliably estimated.

L. Share-based payment

The Company operates a share-based compensation plan for employees, according to which the Company receives services from employees also in exchange for the Company's equity instruments. The fair value of the services received from the employees in exchange for share-based payment bonuses are recorded to the statement of profit and loss as salaries and related expenses simultaneously with an increase in retained earnings, over the period in which the employees' unconditional entitlement to the bonuses is achieved (vesting period), adjusted to reflect the number of bonuses expected to vest, among other things due to performance conditions. The fair value of the equity instruments is measured using the Black and Scholes model. At the end of each reporting period, the Company updates the estimates for the number of equity instruments that are expected to vest, and recognizes the effect of the update in the statement of profit and loss against retained earnings. See also note 20.

Note 2 – Significant Accounting Policies

M. Provisions

a. Provisions are made in respect of liability, environmental restoration and recognized legal claims, when the Group has an existing obligation, legal or implied, as a result of past events; it is expected that a negative flow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Liabilities stemming from onerous contracts are recognized and measured as provisions. A contract is considered an onerous contract when the unavoidable costs for meeting the Company's obligations under the contract exceed the economic benefits expected to be received thereunder.

Provisions are measured according to the present value of the projected cash flows that will be required to settle the obligation, calculated using a pre-tax discount rate, which reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

14. Revenue from customer contracts

The Company's revenues are measured according to the consideration amount to which the Company expects to be entitled in exchange for the transfer of products or services promised to the customer, with the exception of amounts collected for third parties, such as VAT. Revenues are presented net of VAT. See also Note 21(A) and Note 1(C). The revenue recognition model, in accordance with IAS 15 is based on five stages:

(a) Revenue recognition model:

(1) Identification of the contract with the customer

Two or more contracts signed on adjacent dates with the same customer (or with a party related to the customer) are treated as one contract if one or more of the following conditions are met:

a. The contract negotiations were conducted as a package with a single commercial purpose;
b. The price of one contract was affected by the price or performance of the other contract;
c. The products and services promised to the customer in the contracts (or part of them in each contract) constitute a single performance obligation.

When the amount of the contract increases due to the addition of distinct products or services and the contract price increases by a consideration amount that reflects the separate sales prices of those products and services, the contract amendment is treated as a separate contract. When there are equipment sales to the customer that are made without the customer's contractual obligation to consume services at a minimum amount for a predetermined period, the Company treats the equipment transaction as a separate transaction.

Note 2 – Significant Accounting Policies

14. Revenue from customer contracts (continued)

(a) Revenue recognition model (continued)

(2) Identification of performance obligations

When entering into a contract with a customer, the Company assesses the value of the products or services promised in the contract and recognizes a performance obligation for any promise to deliver to the customer one of the following:

a. A product or service (or package of products or services) that are separate; or
b. A series of separate products or services that are essentially the same and have the same pattern of transfer to the customer.

Products or services promised to a customer are identified as separate when (1) the customer can benefit from them by themselves or together with other resources available to the customer; and (2) the Company's promise to deliver the product or service can be identified separately from other promises in the contract (an examination is made as to whether a significant service is provided by combining the product or service with other products or services promised in the contract into an integrated product for which the customer entered into the contract). An option that gives the customer the right to purchase additional products or services constitutes a performance obligation only if it gives the customer a material right that he would not have received if he had not entered into the contract.

(3) Determination of the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in return for the transfer of promised products or services to the customer, less price discounts and amounts collected for the benefit of third parties such as VAT.

The transaction price is adjusted for the effect of the time value of money when the contract includes a significant financing component (such as equipment sales on long-term credit, usually 36 monthly payments). The Company does not adjust the amount of consideration in respect of the effects of a significant financing component if, at the time of entering into the contract, the Company expects that the time gap between the date of payment by the customer and the date of delivery of the product or service to the customer is one year or less. The financing component is recognized in the statement of profit and loss under other income, net, throughout the period in which it was calculated according to the effective interest method. See also notes 23 and 7(A).

(4) Allocation of the transaction price to the performance obligations

The Company allocates the transaction price to all performance obligations identified in the contract based on their separate sales price ratios.

A discount is assigned to one or more performance obligations, but not to all performance obligations in the contract if all of the following criteria are met: (a) the Company regularly sells each distinct product or service (or package of a distinct product or service) in the contract on a separate basis, (b) the Company also regularly sells a package (or packages) of some of those distinct products or services on a separate basis at a discount relative to the separate sales prices of the products or services in each package; and (c) the discount attributable to each package in Section (b) above, is essentially the same as the discount in the contract and an analysis of the products or services in each package provides observable evidence of the performance obligation (or performance obligations) to which each discount in the contract is attributed.

Note 2 – Significant Accounting Policies

14. Revenue from customer contracts (continued)

(a) Revenue recognition model (continued)

(5) Existence of performance obligations – the date of revenue recognition

The Company recognizes revenue when the customer obtains control of the products or services promised under the contract with the customer. A performance obligation exists over time, such as in transactions for the provision of services and the granting of rights to use the Company's assets, if one of the criteria is met: (1) the customer receives and consumes the benefits at the same time; (2) the Company's performance creates or enhances an asset controlled by the customer; or (3) the Company's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment for performance completed as of that date.

If a performance obligation is not fulfilled over time, it is fulfilled at a point in time, when delivering products to a customer.

(b) Principal supplier or agent considerations

The Company determines whether it acts as a principal supplier or as an agent for each performance obligation. When the Company is a principal supplier, it recognizes revenue in the gross amount of the consideration less VAT. If the Company arranges for another party to provide these products or services, the Company is an agent and therefore recognizes the net commission amount.

The Company is a principal supplier when it controls the product or service before transferring it to the customer. Indicators of control include, among others: (1) the Company is primarily responsible for fulfilling the promise in the contract (2) the Group has inventory risk before the product or service has been delivered to the customer, (3) the Group has discretion in determining the price for the product or service.

The Company has determined that it acts as an agent regarding the provision of certain content services by third parties, for which the revenue is presented net in the statement of profit and loss.

(c) Assets and liabilities in respect of customer contracts

When each of the parties to the contract has fulfilled its obligations, the Company presents the contract in the statement of financial position as an asset in respect of a customer contract or as a liability in respect of a customer contract, according to the relationship between the Company's performance and the customer's payment. An asset in respect of a customer contract is the Company's right to consideration for goods or services that the Company has transferred to the customer. A liability in respect of a customer contract is an obligation of the Company to deliver goods or services to the customer for which the Company has received consideration (or an amount of consideration that was due) from the customer. The Company recognizes a contractual liability for advance revenues or deferred revenues for pre-paid services, transmission services, and for granting the right-of-use of the Company's assets. Contract assets and contract liabilities arising from that contract are offset and presented net in the statement of financial position. The Company capitalizes, to contract assets, certain costs that relate directly to the customer contract and can be specifically identified, and also improve the Company's resources that will be used to fulfill the contract. See also Notes 2(F) and 11. Unconditional rights to receive consideration from a customer contract for the supply of products or the provision of services are shown separately in the statement of financial position in the customers balance. See Notes 2(J), 6 and 7.

Note 2 – Significant Accounting Policies

14. Revenue from customer contracts (continued)

(d) Additional practical reliefs in IAS 15 that have been implemented

1. The revenue recognition model is applied to a group of contracts (portfolio) with identical characteristics if the Company reasonably anticipates that the effect of the application on the financial statements will not be substantially different from the application of this model for each individual contract.
2. As a practical relief, if the Group has a right to consideration from a customer in an amount that directly corresponds to the value to the customer of the Company's performance completed up to that date, the Company may recognize revenue in the amount for which the Group has the right to submit an invoice.
3. As a practical relief, the Company does not provide disclosure of the transaction price assigned to the remaining unfulfilled (or partially unfulfilled) performance obligations as of the end of the reporting period if the performance obligation is part of a contract whose original projected duration is one year or a shorter period, or when the Company recognizes revenue from the fulfillment of the performance obligation, in accordance with the practical relief described in Section 2 above.
4. In some cases when the customer has a substantial right to purchase future products or services that are similar to the original products or services in the contract and are provided according to the terms of the original contract, as a practical alternative to the estimation of the separate sale price of the option, the Company allocates the transaction price to the optional products or services by referring to the goods or services that are expected to be provided and the corresponding expected consideration.

O. Leases

In accordance with IFRS 16, when entering into a contract, the Company determines whether the contract constitutes a lease or contains a lease, while examining whether the arrangement transfers a right to control the use of an identified asset for a period of time for consideration.

The Company as lessee:

The Company leases buildings, cellular sites, and vehicles. See explanation in Note 18.

At the time of initial recognition, the Company recognizes a lease liability at the present value of the future lease payments, which include, among other things, the exercise price of extension options that are reasonably certain to be exercised.

At the same time, the Company recognizes a right-of-use asset in the amount of the lease liability, adjusted for any lease payments made on or before the commencement date, less any lease incentives received, and with the addition of any initial direct costs incurred by the Group. The Company has chosen not to separate components that are not lease components, such as maintenance services related to a lease component, and instead treat the components together as a single lease component.

The lease period is determined as a period in which the lease cannot be canceled, including periods covered by an extension option if it is reasonably certain that the Company will exercise this option, as well as periods covered by an option to shorten the period or cancel the lease if it is reasonably certain that the Company will not exercise this option. The Company chose not to apply the practical relief made possible by IFRS 16 regarding short-term leases.

Lease payments linked to the Consumer Price Index are initially measured according to the existing index at the beginning of the contract, and are included in the calculation of the lease liability. When there is a change in the index, the liability is remeasured based on the updated contractual cash flows against an adjustment to the right-of-use asset. Variable lease payments that are not linked to the CPI or to a rate are not included in the calculation of the lease liability, and are recognized in the statement of profit and loss in the period the event or condition that activated these payments occurred.

Since the interest rate inherent in the lease cannot be easily determined, the lease payments are discounted at the Company's incremental interest rate. This rate is the rate that the Company would have been required to pay in order to borrow, for a similar period and with similar collateral, the amounts required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Company uses the practical relief for the treatment of groups of contracts (portfolios) with similar characteristics together when it can be reasonably expected that the effect on the financial statements due to such treatment will not be materially different from the treatment of each contract separately. Therefore, the Company uses a uniform interest rate for a Group of leases with reasonably similar characteristics. The interest rates are determined by management with the assistance of an independent external expert.

Note 2 – Significant Accounting Policies

O. Leases (continued)

The Company chose a practical relief regarding the lease of assets and equipment of low value, and recognizes the rent for them as an expense in the statement of profit and loss according to the straight-line method.

The lease liability is subsequently measured according to the effective interest method, and the interest expenses are recognized in the statement of profit and loss under financing expenses. The lease liability is remeasured when the lease contract is amended or when there is a change in estimates regarding the exercise of options in the contract using an updated discount rate.

The right-of-use asset is measured using the cost method and is presented less accumulated depreciation and accumulated impairment losses, adjusted for remeasurement of the lease liability. Depreciation is calculated using the straight-line method over the useful life of the asset or the lease term, whichever is shorter.

Buildings 2-20 years
Cellular sites 2-10 years
Vehicles 1–3 years

The Company as lessor:
The cellular segment and the fixed-line segment also include revenues from the leasing of communication equipment and related accessories to customers (see Note 1(B)). Leases in which the Company does not transfer the majority of the risks and returns associated with ownership of the property to the customer are classified as operating leases. Revenues from operating leases are recognized according to the straight-line method over the lease period, and the leased assets are included in the statement of financial position according to their essence and are depreciated over their expected useful life. A domestic operator partnership leases fiber optic infrastructures in a finance lease for 20 years, some of which include extension options for an additional five years. See also Note 21(A).

Note 2 – Significant Accounting Policies

15. Income tax

Income taxes include current and deferred taxes. Current and deferred taxes are recorded to the statement of profit and loss, with the exception of taxes arising from a business combination, or are recorded directly to equity or other comprehensive income if they arise from items that are recognized directly in equity or in other comprehensive income. See also note 24.

The current tax is calculated on the taxable income for the year, according to the applicable tax rates according to the laws enacted or substantively enacted as of the date of the statement of financial position, and includes changes in tax payments referring to previous years. The management periodically examines the tax aspects applicable to its taxable income according to the relevant tax laws and creates provisions according to the amounts expected to be paid.

The recognition of deferred taxes is based on the liability method, in respect of temporary differences between the book value of assets and liabilities for financial reporting purposes and their value for tax purposes. The measurement of deferred taxes reflects the tax consequences that will result from the manner in which the Company expects, at the end of the reporting period, to recover or eliminate the book value of assets and liabilities. Deferred taxes are measured according to the tax rates expected to apply to the temporary differences at the time they are realized, based on laws that have been enacted or substantively enacted as of the date of the statement of financial position. A deferred tax asset is recognized in the books when it is expected that in the future there will be taxable income, against which the temporary differences can be utilized.

The Company offsets current and deferred tax assets and liabilities if there is a legally enforceable legal right to offset, and they are attributed to the same taxable income taxed by the same tax authority in the same taxed group.

Q. Share capital

The Company’s ordinary shares are classified in equity. Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of tax, from the issue proceeds. The Company's buyback of shares (treasury shares) are presented as a reduction of equity equal to the amount paid for their purchase, including incremental costs for the purchase, less the income tax effect. Treasury shares do not confer rights to receive dividends and voting rights. See also note 20(A).

R. Earnings per share

The Company presents basic and diluted earnings per share data regarding its ordinary share capital. The basic earnings per share is calculated by dividing the profit or loss attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares that were in circulation during the period, less the Company's own shares. The diluted earnings per share is determined by the adjustment of the profit or loss, which refers to the ordinary shareholders and the adjustment of the weighted average number of ordinary shares in circulation in respect of the effects of all potential dilutive ordinary shares, which include options for ordinary shares and restricted shares granted to employees. See also Notes 20 and 26.

S. Government grants

Government grants in connection with the purchase of assets (see Note 17 in connection with the frequency tender) are presented in the statement of financial position as a reduction from the book value of the assets, and recognized in the statement of profit and loss according to the straight-line method over the useful life of those assets.

Note 3 – New Accounting Publications

New international accounting standards and amendments to existing standards that are not yet binding and for which the Company did not choose early implementation:

Amendment to International Accounting Standard 1 "Presentation of Financial Statements", "Classification of Liabilities as Current or Non-current Liabilities" and "Non-current Liabilities with Financial Covenants" (hereinafter in this section - "Amendments to IAS 1").

The Amendments to IAS 1 clarify the guidelines regarding the classification of liabilities as current or non-current in the statement of financial position. The Amendment clarifies, among other things, that: (1) A liability will be classified as a non-current liability if the entity has a substantive right at the end of the reporting period to postpone the settlement of the liability for at least 12 months from the end of the reporting period. (2) The right to postpone settlement of a liability in respect of a loan agreement for at least 12 months from the end of the reporting period is sometimes subject to the entity's compliance with conditions determined in the loan agreement (hereinafter - "financial covenants"). The classification of a liability in respect of a loan agreement as a current liability or as a non-current liability will be determined only on the basis of the financial covenants with which the entity is required to comply on or before the end of the reporting period. Financial covenants that the entity must comply with after the end of the reporting period will not be taken into account in this determination.

The Amendments to IAS 1 will be applied to annual periods beginning on or after January 1, 2024. The initial application of the Amendment is not expected to have a material impact on the Company's consolidated financial statements.

Amendment to International Accounting Standard 1 "Presentation of Financial Statements", "Disclosure of Accounting Policies" (below in this section - "Amendment to IAS 1").

The Amendment to IAS 1 requires companies to disclose their material accounting policies, rather than their significant accounting policies. According to the Amendment, information regarding the accounting policies is material if, when taken into account together with other information provided in the financial statements, it can reasonably be expected that it will influence decisions that the main users of the financial statements make on the basis of these financial statements. In addition, the Amendment clarifies that there is no need to disclose information regarding immaterial accounting policies. The Amendment to IAS 1 will be applied to annual periods beginning on or after January 1, 2023. The Company is examining the effects of the initial application of the Amendment on the Company's consolidated financial statements.

Amendment to International Accounting Standard 12 "Income Taxes" (hereinafter - "Amendment to IAS 12")

The Amendment requires the recognition of deferred taxes for transactions which, at the time of initial recognition, create temporary differences in opposite directions and in identical taxable and deductible amounts. Such transactions include leases for which a right-of-use asset and a lease liability are recognized. The Amendment to IAS 12 will be applied to annual periods beginning on or after January 1, 2023. The initial application of the Amendment is not expected to have a material impact on the Company's consolidated financial statements.

Amendment to International Accounting Standard 8 "Accounting Policies" (hereinafter - "Amendment to IAS 8").

The amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates. This distinction is essential, since changes in accounting estimates are applied prospectively, for transactions and other events in the future, while changes in accounting policy, as a rule, are applied retrospectively to transactions and other events in the past, as well as to events and transactions in the current period. The Amendment to IAS 8 will be applied prospectively to annual periods beginning on or after January 1, 2023. The initial application of the Amendment is not expected to have a material impact on the Company's consolidated financial statements.

Note 4 – Material Accounting Estimates and Judgments

Estimates and judgments are constantly assessed, and are based on past experience and other factors, including expectations regarding future events that are considered reasonable in view of the existing circumstances. The Company formulates estimates and assumptions regarding the future. By their very nature, it is rare that the resulting accounting estimates will be the same as the actual results. The material estimates and assumptions, for which there is a significant risk of substantial adjustments being made in the book value of assets and liabilities during the next fiscal year, are as follows:

A. Estimate of impairment and of useful life of non-financial assets

The Company regularly examines the book value of its assets in order to determine whether there are signs indicating impairment. The management exercises discretion in its determination for each reporting period whether there are signs of impairment. If signs are identified, the Company estimates the impairment as the amount by which the book value exceeds their recoverable amount. The recoverable amount is the asset's value-in-use or its fair value less sale costs, whichever is higher. See also Notes 2(I) and 13.

The useful (economic) life of the Company's fixed assets, intangible assets and other assets are estimated by the management. The Company defines the useful life of assets according to the expected period in which the assets will generate economic benefits for the Group. This estimate is based on the Company's experience with similar assets. See also Notes 2(E) and 2(F).

Trends in the economic and financial environment, competition and regulatory decisions may affect the assets' recoverable amount or their useful lives in future periods.

B. Goodwill impairment test

Goodwill is entirely attributed to the fixed-line segment. The Company examines goodwill impairment on an annual basis or when there are signs that the book value of goodwill is not recoverable, in accordance with the accounting policy presented in Note 2(H). A recoverable amount is determined based on the higher of value-in-use and fair value, less sale costs. Value-in-use calculations based on assumptions regarding expected cash flows, which require the use of significant estimates and judgments. See Note 13.

Note 4 – Material Accounting Estimates and Judgments (continued)

C. Estimate of impairment of financial assets

The Company recognizes credit losses based on past experience with debt collection, current market conditions, forward-looking information as of the date of consolidated financial statements, as well as on the basis of specific information on the debtors. The main components of this provision are a specific loss component attributed to significant exposures identified separately, and a statistical loss component based on groups of similar assets with reference to expected credit losses. The statistical provision is based on payment history for similar assets, grouped based on credit characteristics and the number of days in arrears, and taking into consideration the macroeconomic conditions in the business environment. See also Notes 7, 6(1)(C) and 2(J).

D. Assessment of the probability of contingent losses and estimation of possible outcomes of lawsuits

The Company and its partnerships are involved in various lawsuits against it arising in the ordinary course of business. The costs that may arise from these claims are provided for only when the probability that a financial liability will arise for them is higher than 50% and the amount of the liability can be quantified or estimated within a reasonable range. Regarding most of the claims that do not meet the aforementioned threshold, no provisions were made. The amount of the provisions made in the financial statements is based on an assessment of the degree of risk in each of the claims, while events occurring during the litigation may require a re-assessment of this risk. The Company's assessment of the risk is based both on the opinions of its legal advisors and on the Company's estimate of the reasonable amounts of settlement arrangements that the Company is expected to bear and which will be agreed upon by the parties to the claims. See Notes 2(M), 14 and 19.

Note 5 – Operating Segments

	For the year ended December 31, 2022			
	NIS millions			
	Cellular segment	**Fixed-line segment**	**Consolidation adjustments**	**Consolidated**
Segment revenue – Services	1,805	1,024		2,829
Inter-segment revenue – Services	13	112	(125)	
Segment revenue – Equipment and other	544	90		634
Total revenue	2,362	1,226	(125)	3,463
Segment cost of sales – Services	1,204	953		2,157
Inter-segment cost of sales – Services	112	13	(125)	
Segment cost of sales – Equipment and other	455	54		509
Total cost of sales	1,771	1,020	(125)	2,666
Gross profit	591	206		797
Operating expenses [(1)]	321	209		530
Goodwill impairment		304		304
Other revenues, net	16	15		31
Operating profit (loss)	286	(292)		(6)
Adjustments to profit for the year:				
Financing expenses, net				(66)
(Loss) before tax				(72)
Income tax				(28)
(Loss) for the year				(100)
Depreciation and amortization expenses included in segmental operating profit (loss)	397	344		741
Share-based compensation expenses for employees included in segmental operating profit (loss)	12	6		18

(1) Operating expenses include sales and marketing expenses, administrative and general expenses and credit losses.

Note 5 – Operating Segments

	For the year ended December 31, 2021			
	NIS millions			
	Cellular segment	**Fixed-line segment**	**Consolidation adjustments**	**Consolidated**
Segment revenue – Services	1,687	948		2,635
Inter-segment revenue – Services	12	118	(130)	
Segment revenue – Equipment and other	602	126		728
Total revenue	2,301	1,192	(130)	3,363
Segment cost of sales – Services	1,204	952		2,156
Inter-segment cost of sales – Services	117	13	(130)	
Segment cost of sales – Equipment and other	498	78		576
Total cost of sales	1,819	1,043	(130)	2,732
Gross profit	482	149		631
Operating expenses [(1)]	302	194		496
Other revenues, net	17	11		28
Operating profit (loss)	197	(34)		163
Adjustments to profit for the year:				
Financing expenses, net				(64)
Profit before income tax				99
Income tax benefit				16
Profit for the year				115
Depreciation and amortization expenses included in segmental operating profit	410	334		744
Share-based compensation for employees included in segmental operating profit	9	6		15

(1) Operating expenses include sales and marketing expenses, administrative and general expenses and credit losses.

Note 5 – Operating Segments

	For the year ended December 31, 2020			
	NIS millions			
	Cellular segment	**Fixed-line segment**	**Consolidation adjustments**	**Consolidated**
Segment revenue – Services	1,647	861		2,508
Inter-segment revenue – Services	16	132	(148)	
Segment revenue – Equipment and other	545	136		681
Total revenue	2,208	1,129	(148)	3,189
Segment cost of sales – Services	1,272	856		2,128
Inter-segment cost of sales – Services	131	17	(148)	
Segment cost of sales – Equipment	451	85		536
Total cost of sales	1,854	958	(148)	2,664
Gross profit	354	171		525
Operating expenses [(1)]	300	159		459
Other revenues, net	19	11		30
Operating profit (loss)	73	23		96
Adjustments to profit for the year:				
Financing expenses, net				(69)
Profit before income tax				27
Income tax				(10)
Profit for the year				17
Depreciation and amortization expenses included in segmental operating profit	450	264		714
Share-based compensation for employees included in segmental operating profit	10	2		12

(1) Operating expenses include sales and marketing expenses, administrative and general expenses and credit losses.

Note 6 – Financial Instruments and Financial Risk Management

1. Financial risks

The Company and its partnerships are exposed to several financial risks due to the use of financial instruments:

a. Market risks
b. Credit risks
c. Liquidity risks

In this note, quantitative and qualitative information is presented regarding the exposure of the Company and its partnerships to each of the above risks, and an explanation of how the risks are managed.
The Board of Directors has the overall responsibility for establishing and supervising the financial risk management framework of the Company and its partnerships. The purpose of the risk management of the Company and its partnerships is to monitor the risks, to observe the various risks on an ongoing basis and to determine the level of exposure to risk that must be complied with and the possible effects resulting from this exposure in accordance with the assessments and expectations of the Board of Directors. Financial risk management is performed by the Finance Division in accordance with the instructions of the Board of Directors.

A. Market risks

Cash flow risks due to changes in the Consumer Price Index in Israel (the "CPI"): The Company and its partnerships are exposed to changes in the CPI in Israel, mainly in connection with lease liabilities and the Ministry of Communications' frequency fees.
Foreign currency exchange rate risks: The Company's profit and its cash flows are exposed to foreign currency risks, mainly in respect of financial assets and financial liabilities (mainly suppliers and customers) denominated in or linked to the USD. The Company and its partnerships did not enter into hedging transactions in 2020, 2021 and 2022. As of December 31, 2022 and 2021, the balance of the Company's debt from banking corporations and bonds was at a fixed interest rate and is not CPI-linked. The interest rate increase in the economy does not affect the Company's cost structure directly. Nevertheless, with regard to the recycling of future debt and/or future debt raising, according to the Company's needs, to the extent that the interest rate environment in the economy is higher, the situation may affect the interest rate in such future raising of debt.

Sensitivity analysis:

The equity as of December 31, 2022 and 2021 and the profit for the years ended on those dates would have been affected in the amounts presented below by changes in the USD exchange rate if they had occurred on those dates. Each scenario in this analysis assumes all other variables remain constant.

Scenario	Increase (decrease) in equity as of December 31, 2022	Increase (decrease) in profit in 2022	Increase (decrease) in equity as of December 31, 2021	Increase (decrease) in profit in 2021
	NIS millions			
5% increase in the USD	(2)	(2)	(3)	(3)
2% increase in the USD	(1)	(1)	(1)	(1)
2% decrease in the USD	1	1	1	1
5% decrease in the USD	2	2	3	3

The equity as of December 31, 2022 and 2021 and the profit for the years ended on those dates would have been affected in the amounts presented below by changes in the CPI if they had occurred throughout those years. Each scenario in this analysis assumes all other variables remain constant.

Scenario	Increase (decrease) in equity as of December 31, 2022	Increase (decrease) in profit in 2022	Increase (decrease) in equity as of December 31, 2021	Increase (decrease) in profit in 2021
	NIS millions			
5% increase in the CPI	(8)	(8)	(8)	(8)
2% increase in the CPI	(3)	(3)	(3)	(3)
2% decrease in the CPI	3	3	3	3
5% decrease in the CPI	8	8	8	8

Note 6 – Financial Instruments and Financial Risk Management

1. Financial risks (continued)

A. Market risks (continued)

Analysis of financial instrument balances according to linkage conditions

	As of December 31, 2022 (in NIS millions)				
	Denominated in or linked to the USD	**Denominated in or linked to other foreign currencies (mainly EUR)**	**Unlinked NIS**	**CPI-linked**	**Total**
Current assets					
Cash and cash equivalents	15	6	539		560
Short-term deposits			202		202
Short-term customers	41	6	539		586
Other receivables			1		1
Non-current assets					
Long-term customers			208		208
Total assets	**56**	**12**	**1,489**	**-**	**1,557**
Current liabilities					
Current maturities of bonds and loans			238		238
Suppliers	111	12	571		694
Accounts payable			116		116
Current maturities of lease liability	*			126	126
Non-current liabilities					
Bonds			1010		1,010
Bank loans			161		161
Lease liability	1			561	562
Total liabilities	**112**	**12**	**2,096**	**687**	**2,907**

* Represents an amount less than NIS 1 million.

Note 6 – Financial Instruments and Financial Risk Management

1. Financial risks (continued)

A. Market risks (continued)

	As of December 31, 2021 (in NIS millions)				
	Denominated in or linked to the USD	**Denominated in or linked to other foreign currencies (mainly EUR)**	**Unlinked NIS**	**CPI-linked**	**Total**
Current assets					
Cash and cash equivalents	2	3	303		308
Short-term deposits	14		330		344
Short-term customers	35	3	533		571
Other receivables			46		46
Non-current assets					
Long-term deposits			280		280
Long-term customers			245		245
Total assets	**51**	**6**	**1,737**	**-**	**1,794**
Current liabilities					
Current maturities of bonds and loans			268		268
Suppliers	127	13	565		705
Accounts payable			133		133
Current maturities of lease liability	*			125	125
Non-current liabilities					
Bonds			1,224		1,224
Bank loans			184		184
Lease liability	2			593	595
Total liabilities	**129**	**13**	**2,374**	**718**	**3,234**

* Represents an amount less than NIS 1 million.

Note 6 – Financial Instruments and Financial Risk Management

1. Financial risks (continued)

B. Credit risks

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and mainly stems from customer balances, cash and cash equivalents, short-term and long-term deposits and other receivables.
The management has a credit granting policy, and the exposure to credit risk is monitored on an ongoing basis. The Company and its partnerships require collateral from customers depending on the amount of credit and the type of debt. The provision for impairment of financial assets in the financial statements is based on the Expected Credit Loss model. The nominal value of the financial instruments constitutes the maximum exposure to credit risk. See also Note 2(J) and Note 7 regarding the aging of the customer balance and information regarding the provision for expected credit losses.

Cash and cash equivalents and short-term and long-term deposits are held in leading commercial banks in Israel rated by Standard & Poor's Maalot with a rating of ilAAA/Stable.

On December 31, 2022, the short-term deposits are for remaining periods of up to 6 months.

On December 31, 2022, the short-term deposits and the deposits that are cash equivalents: in unlinked NIS bearing unlinked fixed NIS interest at a rate of between 3.0% and 3.5%, and linked to foreign currency (mainly to the USD) bearing linked interest in foreign currency of between 1.2% and 5.4%.

The customer balance is a significantly dispersed group, which includes a large number of individuals and businesses, therefore, the customer balances of the Company and its partnerships do not represent a significant concentration of credit risk as of December 31, 2022 and 2021, and do not have a representative credit rating. See also Note 7.

Note 6 – Financial Instruments and Financial Risk Management

1. Financial risks (continued)

C. Liquidity risk

The Company's liquidity management policy is to ensure, to the extent possible, sufficient liquidity to meet its existing and expected obligations when they come due without causing it unwanted losses or damage to its reputation. The cash balances held by the Company and its partnerships are managed in bank deposits subject to the financing needs of ongoing activity and debt service. The Company regularly examines the cash needs existing and expected in the foreseeable future. These forecasts take into account, among other things, the expected cash flow from the Company's ongoing activity and investment needs, and the financing activity, including the raising and refinancing of debt, according to conclusions an active risk management activity is carried out. See also Note 15 for information regarding the loans and bonds.

The following is a breakdown of the maturities (non-discounted) of the financial liabilities as of December 31, 2022:

	2023	2024	2025	2026	2027	2028 and thereafter	Total
	NIS millions						
Principal payments of long-term debt:							
Series F Bonds	128	128					256
Series G Bonds	85	85	85	170	341		766
Series H Bonds			40	20		139	199
Loan Q	23	11					34
Loan R			30	15		105	150
Expected interest payments on bonds and loans	44	37	31	26	19	13	170
Lease liability	139	113	95	81	69	267	764
Suppliers and other payables	791						791
Total	1,210	374	281	312	429	524	3,130

The following is a breakdown of the maturities (non-discounted) of the financial liabilities as of December 31, 2021:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Principal payments of long-term debt:							
Series F Bonds	128	128	128				384
Series G Bonds	85	85	85	85	170	341	851
Series H Bonds				40	20	138	198
Loan P	29						29
Loan Q	23	23	11				57
Loan R				30	15	105	150
Expected interest payments on bonds and loans	49	44	37	31	26	30	217
Lease liability	139	120	96	81	70	278	784
Suppliers and other payables	819						819
Total	1,272	400	357	267	301	892	3,489

Note 6 – Financial Instruments and Financial Risk Management

2. Capital risk management

The Company's capital management is intended to ensure an established and efficient capital structure, which takes into account, among other things, the following factors: a leverage ratio that supports the Company's cash flow needs regarding the potential generation of cash flows, compliance with financial covenants - see Note 15(5) and maintaining the credit rating: the Company was rated on August 7, 2022 with an unchanged ilA+/Stable rating by Standard and Poor's Maalot.

3. Fair value of financial instruments

As described in note 2(J), the financial instruments are classified into the amortized cost (AC) measurement category. See also Note 15 regarding bonds and loans, and Note 7 regarding customer balances. The book value and fair value of the financial instruments and their measurement categories are as follows:

		December 31, 2022				December 31, 2021			
	Measurement category	Book value		Fair value	Interest used **	Book value		Fair value	Interest used **
		Balance (including premium or discount)	Interest payable			Balance (including premium or discount)	Interest payable		
		NIS millions							
Financial assets									
Cash and cash equivalents	AC	560		560		308		308	
Short-term deposits		202		202		344		344	
Long-term deposits	AC					280		280	0.49%
Customers	AC	794		785	5.61%	816		818	3.13%
Other receivables *	AC	1		1		48		48	
Financial liabilities, short-term and long-term									
Series F Bonds	AC	256		251	Market quote	384		392	Market quote
Series G Bonds	AC	772	16	767	Market quote	859	18	952	Market quote
Series H Bonds	AC	197	2	174	Market quote	197		199	Market quote
Suppliers*	AC	694		694		705		705	
Accounts payable, credit balances and provisions*	AC	96		96		115		115	
Loan P	AC					29		30	0.41%
Loan Q	AC	34		34	4.07%	57		58	0.65%
Loan R	AC	150	2	134	4.92%	150		150	2.55%
Lease liability	AC	688		529	6.56%	720		709	2.07%

* The fair value of these financial instruments is equal to their book value, since the discounting effect is immaterial.

** The fair value of the bonds is based on market price quotes as of the end of the reporting period, and are at Level 1 in the fair value hierarchy. The fair value of the other instruments in the AC measurement group were calculated based on a weighted average of observed data for interest rates obtained from market price quotes of the Company's bonds or from bank quotes for instruments with similar terms and characteristics, and are at Level 2 in the fair value hierarchy.

Note 6 – Financial Instruments and Financial Risk Management

4. Cash and cash equivalents

	December 31	
	2022	2021
	NIS millions	
Current account bank balances	24	32
Bank deposits for a period of up to 3 months	536	276
	560	308

Note 7 – Customers

a. Composition

	December 31	
	2022	2021
	NIS millions	
Customers (short- and long-term)	920	965
Deferred interest income (see Note 2(N)(a)(3))	(20)	(21)
Provision for expected credit losses	(106)	(128)
	794	816
Short-term	586	571
Long-term	208	245

The customer balance does not bear nominal interest. The balance of long-term customers is mainly due to sales of equipment in installments (mainly 36 installments). The deferred interest income is calculated according to the interest rates existing in the month of the transaction: in 2021 between 2.68% and 3.85%, in 2022 between 3.15% and 5.61%. See also note 2(J).

b. Provision for expected credit losses

Changes in the provision for expected credit losses:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Balance at beginning of year	128	148	162
Bad debts written off during the year	(26)	(29)	(37)
Recognition of credit losses, net	4	9	23
Balance at end of year	106	128	148

See also Notes 6(1)(B) and 4(C) regarding credit risks.

Note 7 – Customers (continued)

B. Provision for expected credit losses (continued)

Aging of the customer balance and provision for expected credit losses:

	December 31, 2022			December 31, 2021		
	Average expected loss rate	Book value before provision	Provision	Average expected loss rate	Book value before provision	Provision
		NIS millions				
Not in arrears	5%	831	44	5%	861	46
Arrears of up to one year	54%	55	29	62%	53	33
Arrears of more than one year	96%	34	33	96%	51	49
		920	106		965	128

Note 8 – Inventory

	December 31	
	2022	2021
	NIS millions	
Devices and apparatus	45	36
Accessories	13	13
Spare parts	25	22
Modems, computers and others	6	16
	89	87
Balance of recognized provision for impairment	6	5
Inventory cost recorded to cost of sales during the year	505	581
Cost of inventory classified during the year to fixed assets	5	33

Note 9 – Investment in PHI

In November 2013, the Company entered into a network sharing agreement with Hot Mobile Ltd. (“Hot Mobile”, collectively - the “parties”). In accordance with the agreement, the parties established a limited partnership held equally by the parties: PHI Networks (2015) Limited Partnership ("PHI"), which operates and develops the parties' joint radio network for both parties. The parties also jointly established Net 4 P.H.I. Ltd., in equal parts, which serves as the general partner in PHI. Assets owned by each of the parties prior to the entry into effect of the partnership agreement remained under their ownership and were not transferred to the ownership of PHI.

In accordance with the agreement, Hot Mobile paid Partner a one-time amount of NIS 250 million, and starting in April 2016, (1) each party bears half of the investments required for the joint network, (2) the operating expenses of the joint network are divided between the parties so that the parties bear half of them in equal parts, and half of them in parts according to the traffic consumption ratio of the parties in the joint network. The one-time amount is treated by the Company as deferred income for the granting of the right to use the Company's network to Hot Mobile. The deferred income is recognized under revenues in the statement of profit and loss over a period of 8 years, which is the lower of the minimum duration of the arrangement and the economic life of the assets.

The agreement period will end on December 31, 2028. According to the agreement, after the end of the aforementioned period, the agreement period is renewed each time for a period of five years, unless one of the parties notifies, at least 24 months prior to the end of the agreement period or the end of the extension period, that it is not interested in extending the agreement period. After April 23, 2023, each of the parties may announce the termination of the agreement with advance notice of two years. In the event of termination of the agreement, the parties will divide the network between them according to the mechanism established in the agreement, based on their rights in PHI at the time of the agreement’s termination, with priority for each party to first retrieve its assets.

The Company provided a guarantee for PHI's credit facility in the amount of NIS 50 million. As of the date of the statement of financial position, no funds were withdrawn from the credit facility.

The Company accounts for its rights and obligations towards PHI as a joint arrangement. See Note 2(C)(24).

Note 10 – Fixed Assets, Net

	Telecommunications network	Computers and information systems	Fiber optics and related assets	Customers' equipment and installations	Buildings, leasehold improvements, office furniture and equipment	Total
	NIS millions					
Cost						
Balance as of January 1, 2020	1,688	141	860	444	122	3,255
Additions	83	7	168	138	5	401
Disposals	418	72	9	30	27	556
Balance as of December 31, 2020	1,353	76	1,019	552	100	3,100
Additions	79	26	259	151	11	526
Disposals	285	17		38	19	359
Balance as of December 31, 2021	1,147	85	1,278	665	92	3,267
Additions	109	31	254	112	11	517
Disposals	158	8	131	200	14	511
Balance as of December 31, 2022	1,098	108	1,401	577	89	3,273
Accumulated depreciation						
Balance as of January 1, 2020	1,127	107	325	185	81	1,825
Additions	147	11	55	117	8	338
Disposals	421	71	10	28	28	558
Balance as of December 31, 2020	853	47	370	274	61	1,605
Additions	129	12	75	151	9	376
Disposals	285	17		37	19	358
Balance as of December 31, 2021	697	42	445	388	51	1,623
Additions	125	15	103	130	8	381
Disposals	158	7	131	200	15	511
Balance as of December 31, 2022	664	50	417	318	44	1,493
Depreciated cost						
As of December 31, 2020	500	29	649	278	39	1,495
As of December 31, 2021	450	43	833	277	41	1,644
As of December 31, 2022	434	58	984	259	45	1,780

	For the year ended December 31		
	2022	2021	2020
		NIS millions	
Additions to cost includes capitalized employee wages	48	50	41

Note 11 – Intangible and Other Assets, Net

Assets with a finite useful economic life

	Licenses and frequencies	Costs for securing customer contracts	Others	Software	Total
	NIS millions				
Cost					
Balance as of January 1, 2020	2,123	270	285	495	3,173
Additions	30	115		49	194
Disposals				137	137
Balance as of December 31, 2020	2,153	385	285	407	3,230
Additions		99		55	154
Disposals	3		277	82	362
Balance as of December 31, 2021	2,150	484	8	380	3,022
Additions		91		57	148
Disposals				45	45
Balance as of December 31, 2022	2,150	575	8	392	3,125
Accumulated depreciation					
Balance as of January 1, 2020	1,925	141	275	294	2,635
Additions	27	97	3	84	211
Disposals				137	137
Balance as of December 31, 2020	1,952	238	278	241	2,709
Additions	18	103	1	81	203
Disposals	3		277	82	362
Balance as of December 31, 2021	1,967	341	2	240	2,550
Additions	19	100	1	74	194
Disposals				45	45
Balance as of December 31, 2022	1,986	441	3	269	2,699
Depreciated cost					
As of December 31, 2020	201	147	7	166	521
As of December 31, 2021	183	143	6	140	472
As of December 31, 2022	164	134	5	123	426

See Note 2(F).

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Additions to software cost includes capitalized employee wages	44	41	44

Note 12 – Deferred Expenses – Right-of-Use of Communications Infrastructures

	NIS millions
Cost	
Balance as of January 1, 2020	618
Additions	47
Balance as of December 31, 2020	665
Additions	56
Balance as of December 31, 2021	721
Additions	66
Balance as of December 21, 2022	787
Amortization of deferred expenses and accumulated impairment	
Balance as of January 1, 2020	490
Additions	31
Balance as of December 31, 2020	521
Additions	31
Balance as of December 31, 2021	552
Additions	31
Balance as of December 31, 2022	583
Amortized balance as of December 31, 2020	144
Amortized balance as of December 31, 2021	169
Short-term	27
Long-term	142
Amortized balance as of December 31, 2022	204
Short-term	31
Long-term	173

Amortization expenses and impairment are recorded in the statement of profit and loss under the cost of sales. See also Notes 2(G) and 17(4).

Note 13 – Asset Impairment Tests

(1) Annual impairment test of the fixed-line segment goodwill

	NIS millions
Goodwill balance as of December 31, 2020, 2021	407
Impairment recorded in 2022	(304)
Goodwill balance as of December 31, 2022	103

As of December 31, 2022, the Company performed an impairment test of goodwill that was registered in the Company's books in the amount of NIS 407 million attributed to the fixed-line segment cash-generating unit. The recoverable amount as of December 31, 2022, is determined according to the value-in-use and is calculated using the discounted future cash flows (DCF) method based on a forecast of cash flows from operating activities for a period of five years from the end of the current period and with the addition of the representative year. The nominal discount rate used in the valuation is 10.75% (12.76% before tax) (in 2021 - 8.5% real). In addition, a nominal permanent growth rate of 3% was also assumed (in 2021 - 1.0% real). The valuation was conducted by an external appraiser.

	December 31, 2022 in nominal terms
Long-term growth rate	3.0%
After-tax discount rate	10.75%
Pre-tax discount rate	12.76%

The cash flow forecast is based, among other things, on the performance of the segment in recent years and on assessments of expected trends in the fixed-line market in the coming years, including the level of competition, the level of prices and technological developments. The main assumptions underlying the forecast are: the continued limited self-deployment of fiber infrastructures for households, full realization of the agreement for the acquisition of the right-of-use of communications infrastructures (IRU) with Bezeq and the continued deployment of infrastructures for business customers. In this framework, it was assumed that competition in the Internet market will focus on the initial deployment and recruitment. The forecast assumes an increase in the level of competition in the TV market with the introduction of Free TV during 2023. The forecast also assumes growth in revenues from data services and sales of equipment to businesses. Operating expenses, sales, marketing, the IRU and investments were adjusted to the volume of the segment's activity and also included assumptions regarding the employee status and the salary expenses derived therefrom.

Based on the valuation, the recoverable amount of the fixed-line segment activity amounted to NIS 1,660 million, compared to the value of the activity in the Company's books in the amount of NIS 1,964 million. Therefore, the Company recognized an impairment loss in the amount of NIS 304 million (NIS 270 million after tax). Under the same working assumptions, the appraiser estimated that the fair value of the activity of the fixed-line segment, less sales costs, is not higher than the value-in-use.

The valuation is sensitive to the operating cash flow in the representative year, and to the discount rate and the permanent growth rate. In addition, the valuation is sensitive to changes in Internet activity (subscribers and Average Revenue Per User (ARPU)) and to the amount of investments. Sensitivity analysis: each scenario assumes that the other variables remain constant: a 1% increase in the discount rate results in a change in the recoverable amount of approximately NIS 267 million, a 1% decrease in the long-term growth rate in the representative year results in a change in the recoverable amount of approximately NIS 210 million, a negative change of NIS 2 in average annual Internet ARPU in the representative year results in a change in the value of the recoverable amount of the activity in the amount of NIS 67 million. A negative change of 10,000 internet subscribers (fiber) in the representative year results in a change in the recoverable amount of the activity in the amount of approx. NIS 54 million. An increase of 1% in the capital investment rate from the total amount of revenues results in a change in the recoverable amount of the activity in the amount of 94 million.

The following is information regarding previous valuations:

For the impairment tests of goodwill as of December 31, 2020 and 2021, the Company examined the recoverable amount of the fixed-segment's activity. The valuation was performed by an independent external expert based on value-in-use calculations. Value-in-use calculations were performed using the discounted cash flow method (DCF) from the activity for a period of five years and with the addition of the residual value (representative year). Cash flows beyond 5 years were calculated based on a fixed long-term growth rate. The discount and growth rates used for the impairment test are as follows:

	December 31, in real terms	
	2021	2020
Long-term growth rate	1.0%	1.0%
After-tax discount rate	7.0%	7.5%
Pre-tax discount rate	8.5%	9.0%

Note 13 – Asset Impairment Tests

(2) Impairment test of non-monetary assets in 2020

The decrease in economic activity in March 2020 led to the identification of a sign indicating an impairment of non-monetary assets, especially a significant decrease in the rate of international travel by customers that caused a significant decrease in revenues from roaming services, which affected the cellular segment. In addition, temporary closures of shopping centers and changes in consumer behavior had a negative impact on the volume of sales of equipment in the cellular and fixed-line segments.

The Company tested the recoverable amount of the fixed-line segment as of March 31, 2020 based on value-in-use calculations. The recoverable amount was estimated by an external expert based on value-in-use calculations. The value-in-use calculations are based on pre-tax cash flow forecasts for 5 years. Cash flows beyond 5 years were calculated based on a long-term growth rate. The long-term growth rate represents the average long-term growth of the fixed-line segment business. As a result of the impairment test, the Company concluded that there was no impairment as of March 31, 2020. The main assumptions used are as follows:

	March 31, 2020
Terminal growth rate	1.0%
After-tax discount rate	8.25%
Pre-tax discount rate	9.9%

The Company examined the recoverable amount of the cellular segment as of March 31, 2020 with the assistance of an independent external expert according to the fair value, less sales costs, and arrived at the conclusion that there is no impairment in the cellular segment.

(3) Impairment of certain non-monetary assets in the fixed-line segment in the third quarter of 2021

In the third quarter of 2021, the Company recognized a provision for the impairment of assets in the fixed-line segment in the amount of NIS 10 million, following a business change in TV services that was assessed by the Company as one that would lead to the abandonment of fixed-line service subscribers.

Note 14 – Other Receivables and Debit Balances, Accounts Payable, Credit Balances and Provisions

A. Current assets

	December 31	
	2022	2021
	NIS millions	
Accounts receivable and debit balances		
Prepaid expenses and advance payments to suppliers	25	30
Frequency fees	78	73
Grant receivable due to the frequency tender (see Note 17(1))	-	36
Others	3	13
	106	152

B. Current liabilities

	December 31	
	2022	2021
Deferred and other revenue	NIS millions	
Deferred revenue from Hot Mobile (see Note 9)	31	31
Deferred revenue	38	58
Others	64	50
	133	139

The decrease in deferred revenue is mainly due to recognized revenue

	December 31	
	2022	2021
Accounts payable, credit balances and provisions	NIS millions	
Provisions (mainly in respect of legal claims)	21	22
Institutions	37	15
Liabilities for employees and other wage and salary liabilities	117	99
Interest payable (see Note 15)	20	18
Payables in respect of frequencies (see Note 17(1))	-	31
	195	185

C. Long-term liabilities

	December 31	
	2022	2021
Other long-term liabilities and provisions	NIS millions	
Provision for removal and disposal of assets and sites	21	22
Deferred revenue from Hot Mobile (see Note 9)	8	39
Others	9	13
	38	74

Balances of suppliers and other payables in connection with the purchase of fixed and intangible assets

On December 31, 2020, 2021, and 2022, the balance of suppliers and other payables amounted to NIS 139 million, NIS 157 million and NIS 177 million, respectively, in connection with the purchase of fixed assets and intangible assets; the payments for them are presented under cash flows from investing activities. See also Note 18 regarding non-cash transactions in the lease liability and the right-of-use asset for leases. See also Note 8 regarding inventory classified as fixed assets.

Note 15 – Loans and Bonds

(1) Loans and bonds - General

The Company's long-term liabilities as of December 31, 2022 consist of loans from leading commercial banks in Israel and bonds. The Company may, at its discretion, make early repayment of the loans, subject to certain conditions that include compensation to the lender for losses incurred as a result of early repayment. The compensation is mainly based on the difference between the interest that the Company would have paid and the interest rates that will prevail in the market at the time of early repayment. The bonds are unsecured, non-convertible and listed for trading on the Tel Aviv Stock Exchange. As of August 7, 2022, the bonds were rated ilA+ domestically by Standard & Poor's Maalot.

Composition of the debt as of December 31, 2022:

	Related note	Nominal annual fixed interest rate
Series F Bonds	15(4)	2.16%
Series G Bonds	15(2)	4%
Series H Bonds	15(2)	2.08%
Loan P		2.38%
Loan Q		2.5%
Loan R	15(3)	2.55%

See note 6(1)(C) regarding balances and current maturities of the loans and bonds.
See note 6(3) regarding the fair value of the loans and bonds.
See Note 15(5) regarding financial covenants.

PHI has a short-term credit arrangement from a leading commercial bank in Israel in the amount of NIS 100 million as of December 31, 2022, and 2021. The Company's share in the credit arrangement is 50%. The arrangement is only for PHI's use. On December 31, 2022 and 2021, no amounts have been withdrawn from this credit arrangement. See also Note 9 regarding PHI.

Note 15 – Loans and Bonds

(1) Loans and bonds - General (continued)

The following tables present the changes in financial liabilities, including cash flows for financing activities. See also Note 6(1)(C):

		Movement in 2022			
			Non-cash movement		
	Balance as of December 31, 2021	Cash flows for financing activities, net	Accrued interest and others	Changes against a right-of-use asset in leases	Balance as of December 31, 2022
	NIS millions				
Long-term loans *	236	(52)			184
Bonds *	1,440	(214)	(1)		1,225
Interest payable	18	(47)	49		20
Lease liability	720	(147)	17	98	688
	2,414	(460)	65	98	2,117

		Movement in 2021			
			Non-cash movement		
	Balance as of December 31, 2020	Cash flows for financing activities, net	Accrued interest and others	Changes against a right-of-use asset in leases	Balance as of December 31, 2021
	NIS millions				
Long-term loans *	138	98			236
Bonds *	1,457	(17)			1,440
Financial liability at fair value	4		(4)		
Interest payable	17	(48)	49		18
Lease liability	702	(148)	18	148	720
	2,318	(115)	63	148	2,414

* Including current maturities

Note 15 – Loans and Bonds

(2) Bond issuances and expansions

In July 2020, the Company expanded the Series G Bonds in a private placement with a nominal value of NIS 300 million according to the original terms of the series.

Options for Series G Bonds issued in April 2019 in a private placement were exercised in various portions in 2019, 2020 and 2021, and as a result Series H Bonds were expanded with a nominal value of NIS 125 million, NIS 174.3 million and NIS 26.5 million, respectively. On December 31, 2021, there were no unexercised options. The expansions were carried out in accordance with the original terms of the series.

In December 2021, the Company issued Series H Bonds with a nominal value of NIS 198.4 million, to be repaid in 5 installments: NIS 39.7 million in June 2025, NIS 19.8 million in June 2026, NIS 39.7 million in June of each of the years 2028, 2029, and NIS 59.5 million in June 2030. The bonds bear interest at a rate of 2.08%, which is paid annually in June. The issuances and expansions of the bonds were listed for trading on the Tel Aviv Stock Exchange.

(3) New loans received

Long-term Loan R was received in December 2021 from a commercial bank with a nominal value of NIS 150 million. The loan bears fixed, unlinked interest at an annual rate of 2.55%, paid in June and December of each year. The loan principal will be repaid in 5 installments: NIS 30 million in June 2025, NIS 15 million in June 2026, NIS 30 million in June of each of the years 2028, 2029, and NIS 45 million in June 2030. Regarding financial covenants, see (5) below.

(4) Early repayment of bonds

In July 2020, the Company made a partial early repayment on Series F Bonds with a nominal value of NIS 305 million. The amount paid was NIS 313 million. As a result of the early repayment, the Company recorded financing expenses in the amount of NIS 7 million.

(5) Financial covenants
The agreements for the Series F, G and H Bonds and Loans P, R and S state that the Company must comply with a financial covenant according to which the ratio of the Company's Net Debt to Adjusted EBITDA will not exceed 5. Net debt is a financial metric that is defined as: credit from banking corporations and financial institutions and loans from banking corporations, financial institutions and institutions whose main business is the provision of loans, as well as liabilities in respect of bonds (including interest to be paid, not including lease liabilities), less: cash and cash equivalents that are not restricted, short-term and long-term deposits (which are not pledged to secure a debt to a third party) and current investments in negotiable securities. Adjusted EBITDA is a financial metric defined as: Earnings before interest (net financing costs), taxes, depreciation and amortization (including amortization of intangible assets, deferred expenses - right-of-use of communications infrastructure and impairments) and other expenses (mainly share-based compensation expenses for employees), less one-time items, for the last 12 months. On December 31, 2022, the ratio of Net Debt to Adjusted EBITDA was 0.6.

Additional provisions in the agreements included:
The equity will not be less than NIS 400 million, and no dividends will be distributed if the equity is less than NIS 650 million according to the agreements for Series F Bonds and Loans P and R. The equity will not be less than NIS 600 million, and no dividends will be distributed if the equity is less than NIS 750 million according to the agreements for Series G Bonds and Loan S. The equity will not be less than NIS 700 million, and no dividends will be distributed if the equity is less than NIS 850 million according to the agreements for Series H Bonds.
The Company will not create a floating lien under certain conditions. The Company has the option of early repayment under certain conditions. Regarding Series F, G and H Bonds, the Company will pay additional interest at an annual rate of 0.5% in the event of a decrease of two notches in the credit rating, and an additional 0.25% for each additional decrease of one notch in the rating, up to a maximum of 1%; the Company will pay additional interest at an annual rate of 0.25% during a period in which it will be in violation of the financial covenants; and the rating will not drop below BBB- for that period. In any case, the increase in interest in annual terms for Series 6, 7 and 8 Bonds will not exceed 1.25%, 1%, 1.25%, respectively.

As of December 31, 2022, the Company was in compliance with all financial covenants and additional provisions.

Note 16 – Liability for Severance Pay

The labor laws in Israel require the payment to employees of severance pay in certain circumstances. See also Note 2(K).

(1) Defined contribution plan
The Company deposited NIS 25 million, NIS 24 million and NIS 24 million in the years 2020, 2021 and 2022, respectively, in accordance with Section 14 of the Severance Pay Law.

(2) Defined benefit plan
The liability for severance pay, net is presented under long-term liabilities. Remeasurements are recognized in other comprehensive income. The amounts recognized in the statement of financial position, and the changes during the year in respect of the defined benefit plan for severance pay are as follows:

	NIS millions		
	Present value of the liability	**Plan asset value**	**Total**
Balance as of January 1, 2021	**154**	**(112)**	**42**
Cost of current service	14		14
Interest expenses (income)	3	(2)	1
Employer deposits		(8)	(8)
Employee benefit payments	(16)	10	(6)
Remeasurements:			
Actuarial losses (gains) from adjustments according to past experience	8	(16)	(8)
Balance as of December 31, 2021	**163**	**(128)**	**35**
Cost of current service	15		15
Interest expenses (income)	5	(3)	2
Employer deposits		(8)	(8)
Employee benefit payments	(28)	18	(10)
Remeasurements:			
Actuarial losses (gains) from adjustments according to past experience	(8)	2	(6)
Balance as of December 31, 2022	**147**	**(119)**	**28**

Note 16 – Liability for Severance Pay

(2) Defined benefit plan (continued)

The main assumptions used in the actuarial calculations are as follows:

	December 31	
	2022	**2021**
Weighted average of nominal interest	5.35%	3.21%
Weighted average of the inflation rate	2.78%	2.41%
Expected employee departure/retirement rate	9% - 70%	9% - 70%
Wage increase rate	1% - 6%	1% - 6%

Sensitivity analysis for the defined benefit liability:

	December 31, 2022	
	NIS millions	
	Increase of 10% in assumption	**Decrease of 10% in assumption**
Nominal interest rate	(0.9)	0.7
Expected employee departure rate	0.1	(0.1)
Wage increase rate	0.3	(0.3)

The sensitivity analysis is based on a change in a certain assumption, keeping all other variables unchanged. In practice, changes in certain variables can affect other variables. The commitment to a defined benefit exposes the Company to various risks, including variations in the plan asset value, wage increases and changes in interest rates. The assets are invested in provident funds and pension funds and are managed by management companies and are subject to laws and regulations, as well as the supervision of the Capital Market, Insurance and Savings Authority of the Ministry of Finance in Israel. The non-discounted maturities of the liability for the defined benefit plan as of December 31, 2022 are as follows:

	NIS millions
2023	19
2024	12
2025	12
2026 and 2027	22
2028 and thereafter	112
	177

Note 17 - Engagements and Transactions

(1) Results of the frequency tender and frequency fees

In August 2020, the Ministry of Communications notified the Company of its win in the tender for 700 MHz, 2600 MHz and 3500 MHz frequencies together with Hot Mobile, for a consideration of NIS 62.4 million, paid in equal parts by the Company and Hot Mobile in September 2022. The frequencies were received in September 2020 and as a result the Company recognized an intangible asset in 2020 with a present value of NIS 30 million. The Company met the conditions determined in the tender documents and in 2022, received a grant of NIS 37 million for the establishment of a 5G cellular network. See also Note 2.

According to the wireless regulations, the Company must pay frequency fees each year. Following the win in the tender as mentioned above, the regulations were changed and the fees for the previous frequencies were reduced, subject to certain conditions, and fees were established for the new frequencies. According to the regulations, if the Company returns any frequency, it will not have to continue paying a fee for it.
In the years 2020, 2021 and 2022, the Company recognized expenses in respect of frequency fees in the amounts of NIS 75 million, NIS 66 million and NIS 65 million, respectively. The amount of the frequency fees of the Company and Hot Mobile are divided between the companies according to the mechanism described in Note 9.

(2) Guarantees

As of December 31, 2022, the Company has provided bank guarantees for licenses (see Note 1(B)) in the amount of approx. NIS 27 million, a bank guarantee securing a PHI credit facility in the amount of NIS 50 million (see Note 9), and guarantees from banks and financial institutions to other parties in a total amount of NIS 48 million.

As of December 31, 2022 and 2021, no liabilities were recognized for the aforementioned guarantees.

(3) Engagements for the purchase of inventory, fixed assets and software, content agreements

As of December 31, 2022, the Company has contracts for the purchase of fixed assets and software in the amount of approx. NIS 66 million.

As of December 31, 2022, the amounts of future engagements in respect of engagements for the purchase of content broadcasting rights are as follows:

	NIS millions
2023	60
2024	40
2025	33
2026	6
	139

In January 2023, a Memorandum of Understanding (MoU) was signed with Ericsson Israel Ltd ("Ericsson"), according to which Ericsson will provide the Company with a 5GSA system and replace the Company's cellular network core that was purchased from Mavenir Systems Limited, so that at the end of the project, Ericsson will serve as the central core provider for the Company’s cellular network.

The Company signed a non-exclusive distribution agreement with Apple Distribution International Ltd. beginning April 1, 2021 for the purchase of minimum quantities of iPhones in Israel in each of the 3 years of the agreement. The Company also ordered various inventories from other suppliers. In total, as of December 31, 2022, the Company has an obligation to purchase inventory in the amount of NIS 283 million in the next two years.

Note 17 - Engagements and Transactions

(4) Deferred expenses – right-of-use of communications infrastructures

A domestic operator partnership has engaged in long-term agreements with providers of international capacity rights-of-use in underwater infrastructures (see Note 12), most of which can be extended until 2030. As of December 31, 2022, a domestic operator partnership has an obligation to pay NIS 34 million for capacities in the following years (not including maintenance), as follows:

	NIS millions
2023	18
2024	10
2025	6
	34

In addition, on December 31, 2022, a domestic operator partnership has an obligation to pay NIS 3 million for capacity maintenance in 2023.
According to the capacity agreements, some of the payments are linked to the USD.

(5) Agreement for the purchase of the right-of-use of communications infrastructure on unspecified infrastructure lines in buildings connected to Bezeq's fiber infrastructure

On December 21, 2022, the Company entered into an agreement with Bezeq - the Israel Communications Company Ltd. ("Bezeq") in a long-term agreement for the purchase of an indefeasible and impassable right-of-use (IRU) for a fixed period of 15 years for 120 thousand unspecified infrastructure lines in buildings connected to Bezeq's fiber optic infrastructure (the "First Agreement Period" and "Lines"). According to the agreement, the right-of-use of the lines will be granted in a graduated manner in 5 equal annual installments, with the first installment starting on January 1, 2023. The total consideration to be paid by the Company to Bezeq for the right-of-use according to the agreement is approx. NIS 574.2 million plus VAT for the first agreement period (the "Consideration"), which will be divided into 5 equal payments (in accordance with the dates of the above installments) to be paid at the beginning of each calendar year of the years 2023 to 2027, plus half of the linkage differences, according to the terms stipulated in the agreement (the “Installment Amount"). The Company has the option of spreading any installment amount over a period of 5 years with the addition of interest at a rate equal to Bezeq's NIS bond yield for the relevant average duration in an annual calculation as known at on the start date of the right-of-use of the lines in that installment (or a weighted average of such bonds). Most of the consideration amount is expected to be paid during the first 9 years of the agreement. The Company will also pay annual maintenance fees at a rate of 4% of the consideration plus half of the linkage differences according to the terms stipulated in the agreement, in respect of all the lines for which the Company was given the right-of-use until that year. The Company chose to spread the payment of the first installment and the interest rate in its respect is 3.99% per year.

The company was given an option to purchase the right-of-use for 48 thousand additional lines, under the same conditions, during the first agreement period. The Company has options to extend the usage period for two additional periods of 5 years each, beyond the first usage period (a total of 25 years) regarding the number of lines of its choice in consideration for NIS 840 per line (up to NIS 100.8 million for 120,000 lines) for each five-year option, plus linkage differences according to the terms stipulated in the agreement. In addition, the Company has the option of bringing forward the dates for both the right-of-use of the lines and for the payment thereof. The agreement also includes a mechanism for upgrading the paces of the lines, in accordance with the conditions stated in the agreement, as well as a price protection mechanism that adjusts the calculation of the price of the regulatory line, starting from the sixth year of the agreement.

Note 17 - Engagements and Transactions

(6) Provision of right-of-use for fiber optic infrastructures

In January 2022, the Company signed an agreement with an international communications service operator, for the provision of an Indefeasible Right-of-Use (IRU) for a period of 20 years (with an option to extend for an additional maximum period of four years and 11 months), for several specific fiber optics in the fiber optics infrastructure that the Company is establishing on the route between Haifa and Eilat and on the route between Haifa and the Allenby border crossing (King Hussein), as well as maintenance services in relation to these fibers.

(7) Collaboration agreement between the Company, Hot Mobile, Pelephone and Cellcom

n August 2022, approval was granted by the Ministry of Communications for an agreement between the Company, Pelephone Communications Ltd., Cellcom Israel Ltd. and Hot Mobile Ltd., to expand the cooperation between the parties in the area of passive infrastructure sharing for cellular sites, which allows for full or partial sharing of passive elements on the network sites (for example, electricity, air conditioning). The parties submitted the Agreement for approval by the Competition Commissioner and the Ministry of Communications. The Competition Commissioner concluded that the partnership can be carried out based on self-assessment, and accordingly legal and economic opinions were provided to the companies, according to which the Company operates.

(8) Collective agreement – see Note 21(E).

(9) Legislation and regulation

The Ministry of Communications has established a fund to encourage the deployment of fiber networks (FTTH) in areas that are not economically viable, where Bezeq has decided not to deploy its FTTH network (hereinafter - the "Incentive Fund"). The Incentive Fund is financed by annual payments to the Incentive Fund by all obligated entities (including Bezeq and Partner) at an annual rate of 0.5% of taxable income. The amount of the Company’s payment in 2021 and 2022 was NIS 12 million and NIS 13 million, respectively.

Note 18 – Leases

The Company and its partnerships lease the following assets for which most of the payments are linked to the CPI in Israel. See also Notes 2(O), 3 and 6(A)(4):

(1) Buildings
The Company leases the headquarters building in Rosh Ha'ayin, Israel, in an agreement that can be extended until December 31, 2034. The Company and its partnerships also lease stores, service centers, offices and server farms. The contracts are for various periods that can be extended from 2 to 20 years. Some of the extension options include an increase of between 2% and 10% in the rent.

(2) Cellular sites
PHI leases cellular broadcasting sites and branding sites throughout Israel for extendable periods of between 2 and 10 years. Some of the extension options include an increase of between 2% and 10% in the rent.

(3) Vehicles
The Company and its partnerships lease vehicles for periods of up to 3 years.

The management has considered and determined that it is reasonably certain that all extension options will be exercised. The following table presents the balances and movements in right-of-use assets and lease liabilities:

	NIS millions			
	Right-of-use asset in lease			Lease liability
	Buildings	Cellular sites	Vehicles	
Balance as of January 1, 2021	**298**	**324**	**41**	**702**
Amortizations	(37)	(68)	(29)	
Accrued interest				18
Non-cash movement (*)	52	63	35	148
Lease fee payments (principal)				(130)
Lease fee payments (interest)				(18)
Balance as of December 31, 2021	**313**	**319**	**47**	**720**
Amortizations	(39)	(66)	(30)	
Accrued interest				17
Non-cash movement (*)	41	39	20	98
Lease fee payments (principal)				(130)
Lease fee payments (interest)				(17)
Balance as of December 31, 2022	**315**	**292**	**37**	**688**
Short-term				126
Long-term	315	292	37	562
Balance as of December 31, 2021	**313**	**319**	**47**	**720**
Short-term				125
Long-term	313	319	47	595

(*) Non-cash movement, mainly in respect of new leases.

Regarding transactions in which the Company is the lessor, see Note 21(A).

Note 19 – Contingent Liabilities and Legal Proceedings

The total provisions recorded in the financial statements as of December 31, 2022, in respect of all claims against the Company and its partnerships amount to approx. NIS 19 million (see Note 2(M).

The main legal proceedings and claims against the Company and its partnerships are described below:

(1) Customer claims

This category includes class actions and requests for approval as class actions, among other things, for claims regarding charges and claims in connection with an alleged violation of the Consumer Protection Law, the Privacy Protection Law, the Communications Law (Bezeq and Broadcasting), license provisions, other legal provisions and engagement agreements with customers.

The following is a summary of the number of class actions and requests for approval as class actions filed by consumers, detailed according to the amount claimed, as of the date of approval of these financial statements:

	Number of claims	Total amount of claims (NIS millions)
Up to NIS 100 million	7	241
Between NIS 101 and 400 million	3	573
From NIS 400 million	1	1,000
Claims without an amount	9	
Total	**20**	**1,814**

With regard to the five claims that appear in the table above, the court approved the requests for approval as class actions, as follows:

1. On November 12, 2015, a claim and a request to approve the claim as a class action was filed against Partner. The claim alleges that Partner required its customers to purchase a Smartbox device, which is an end device, as a condition for using its fixed-line telephony services, contrary to the provisions of its license. The total amount claimed against Partner is estimated by the plaintiff at approx. NIS 116 million. In February 2019, the court approved the request to approve the claim as a class action with certain changes. In March 2019, Partner filed a request for leave to appeal this decision. In February 2020, the Supreme Court rejected the appeal request that was filed and the claim was returned to the district court and the proceedings were resumed. On October 20, 2022, a request was filed for the approval of a settlement agreement. Partner estimates that the claim and/or the settlement agreement will not have a material impact on the Company's financial statements.

2. On November 12, 2015, a claim and a request to approve the claim as a class action was filed against 012 Smile. The claim alleges that 012 Smile required its customers to purchase a Smartbox device, which is an end device, as a condition for using its fixed-line telephony services, contrary to the provisions of its license. The total amount claimed against 012 Smile is estimated by the plaintiff at approx. NIS 64 million. In February 2019, the court approved the request to approve the claim as a class action with certain changes. In March 2019, the Company filed a request for leave to appeal this decision. In February 2020, the Supreme Court rejected the appeal request that was filed and the claim was returned to the district court and the proceedings were resumed. On October 20, 2022, a request was filed for the approval of a settlement agreement. Partner estimates that the claim and/or the settlement agreement will not have a material impact on the Company's financial statements.

Note 19 – Contingent Liabilities and Legal Proceedings

(1) Customer claims (continued)

3. On April 21, 2016, a claim and a request to approve the claim as a class action was filed against 012 Smile. The claim alleges that the infrastructure included in 012 Smile's plans does not support Internet browsing speeds that the Company advertises to its customers. The total amount claimed against the Company if the claim is approved as a class action was not stated by the plaintiffs. In January 2021, the court approved the request to recognize the claim as a class action. The Company estimates that the claim will not have a material impact on the Company's financial statements.
4. On February 28, 2017, a claim and a request to approve the claim as a class action was filed against the Company. The claim alleges that the Company collected money from cellular customers who entered into agreements for fixed periods, at a rate higher than what was agreed without receipt of prior written notice. The total amount claimed from the Company was estimated by the plaintiffs at approx. NIS 4.176 million. In March 2021, the court approved the request and recognized the claim as a class action. In June 2021, the Company filed a request for leave to appeal this decision. The Company estimates that the claim will not have a material impact on the Company's financial statements.

5. On November 13, 2017, a claim and a request for approval as a class action was filed against Partner and 012 Smile (initially the request was filed only against 012 Smile). The claim alleges that Partner and 012 Smile charged their customers for incoming calls while they were abroad, without these calls actually being made and without giving an instruction to divert calls. The total amount claimed is estimated by the plaintiff at approx. NIS 53 million against Partner and approx. NIS 10 million against 012 Smile. In January 2021, the district court approved the request against Partner and recognized the claim as a class action, and rejected the request against 012 Smile. The Company estimates that the claim will not have a material impact on the Company's financial statements.

In addition to the above claims, the Company and its partnerships are a party to various claims arising in the normal course of their activities.

(2) Contingent liabilities in connection with planning and construction procedures

Section 197 of the Planning and Construction Law states that a property owner has the right to receive compensation from a local planning committee in respect of a decrease in the property value resulting from a new construction plan.

In January 2006, the Non-Ionizing Radiation Law was published, which amends the Planning and Construction Law, so that local planning and construction committees must ask for indemnification letters against the reduction of the property's value from the cellular operators applying for construction permits.
Accordingly, on January 3, 2006, the National Planning and Building Council published an interim decision conditioning the granting of construction permits for the establishment of cellular sites by local planning and construction committees on a commitment to 100% indemnification by the cellular operators. This decision will remain in effect until it is replaced by an amendment to the National Outline Plan #36. Between January 3, 2006 and December 31, 2022, the Company submitted 410 indemnification letters to the local authorities as a condition for receiving building permits.

In the event that the Company is required to pay significant amounts under the indemnification letters, this may have a negative effect on the Company's financial results.
The Company assumes that the requirement to provide indemnification letters may oblige it to change the locations of the sites to different and less suitable locations and to dismantle some of its sites. These changes in the layout of the sites may adversely affect the scope, quality and capacity of the network coverage.

According to the assessment of the Company's management and based on the advice of its legal advisors, a provision was not included in the financial statement.

(3) Investigation by the Israel Tax Authority

The Tax Authority conducted an investigation against the Company that included the collection of documents and the questioning of several past and present Company employees. The Tax Authority conducted an investigation against the Company that included the collection of documents and the questioning of several past and present Company employees in order to ascertain whether there had been violations of the Eilat Free Trade Zone Law (Tax Exemptions and Discounts), 1985 regarding the sale of cell phones in the city of Eilat. In December 2022, a notification was received on behalf of the Tax Authority - The National Legal Unit for Customs Cases, regarding the closure of the investigation file.

Note 20 – Equity and Share-Based Payments

(A) Share capital

The Company's share capital consists of ordinary shares traded on the Tel Aviv Stock Exchange. Ordinary shareholders are entitled to vote at the general meeting of the shareholders and receive dividends as they are declared. The Company's registered capital is NIS 2,350,000, divided into 235,000,000 ordinary shares of NIS 0.01 PV each.

	Number of issued and paid-up shares		Amount issued and paid-up (NIS millions)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Ordinary shares of NIS 0.01 PV	185,865,422	183,678,220	2	2

This does not include treasury shares and shares promised to employees as part of capital benefit plans for employees that have not yet vested.

The Company conducts its activities in accordance with the licenses granted to it by the Ministry of Communications (Note 1(C)). The Company's cellular license (radio and cell phone) imposes certain obligations on the Company's shareholders and restrictions on holding the Company's shares.
The founding shareholders and (or their substitutes that have been approved by the Minister of Communications) shall hold, in the aggregate, at least 26% of each of the Company's means of control (the "Founders' Holdings"). Until February 2021, the provisions of the Company's cellular license stipulated, among other things, that at least 5% of the Founders' Holdings must be held by Israeli shareholders (Israeli citizens or residents) which have been approved by the Minister of Communications (the "Israeli Requirement") and that the Israeli shareholders appoint at least one director to the Company's Board of Directors. On July 7, 2020, the MoC published an amendment to the Cellular license which stipulates that the Israeli Requirement shall not apply if an alternative order has been given to the Company at the request of the Security Services, in accordance with Section 13 of the Telecommunications Law (Telecommunications and Broadcasting). During February 2021, the Company was given an order in accordance with Section 13 as stated. Furthermore, as part of a license amendment dated April 10, 2022, the Ministry of Communications clarified in the section relating to 'Israelis and Founders (or their substitutes') Holdings' that the ownership of 'shares by founders or their substitutes' will not include those who are an 'Israeli entity' in cases where an alternative order has been issued to the licensee, in accordance with Section 13 of the Telecommunications Law as mentioned.

In previous years, the Company carried out a buyback of its shares for a total of 10,969,578 shares for a total amount of NIS 451 million. The purchased shares are presented in equity under treasury shares. According to the Companies Law in Israel, the treasury shares are dormant shares as long as they are held by the Company, and as such they do not confer any rights, including the right to vote at the shareholders' general meeting and to receive dividends that will be announced, until they are transferred to a third party. Some of the treasury shares were offered to employees as part of a capital compensation plan for employees as restricted shares (see Section (B) below).

Until December 31, 2022, 6,448,117 treasury shares remained, of which 372,223 were transferred to the trustee for the benefit of the employee capital compensation plan. The restricted shares offered to employees in accordance with the capital compensation plan, as long as they have not vested, are under the control of the Company and are therefore not presented in the financial statements as part of the issued and paid-up share capital.

In January 2020, the Company issued 19,330,183 shares to institutional investors following a tender in accordance with a shelf offering, by way of a private placement. The net proceeds from the offering were approx. NIS 276 million, and the offering expenses amounted to approx. NIS 10 million.

Note 20 – Equity and Share-Based Payments

(B) Share-based compensation for employees

In accordance with the 2004 capital compensation plan for employees (the "Capital Compensation Plan") which includes the allocation of restricted shares to the Company's employees and officers, share options and restricted shares were granted to employees. The vesting of share options and restricted shares are subject to vesting periods (usually in three equal tranches that vest after one, two, and three years) and to performance conditions determined by the Compensation Committee of the Company's Board of Directors, and with regard to the Company's CEO, the conditions will be determined by the general meeting of the shareholders. As of December 31, 2022 and 2021, the company estimated that it is expected that the performance conditions will be met. The ordinary shares that will be allocated following the exercise of the options will be identical in all their rights to the ordinary shares of the Company, immediately upon their allocation. According to the terms of the capital compensation plan, under certain conditions the share options and restricted shares are entitled to accelerated vesting in the event of a change in control of the Company. In December 2021, the Company estimated that a change of control event is expected in the Company (see Note 26(C)), and the effect of the change in the accounting estimate for the capital compensation plan on the statement of profit and loss is not material. The capital compensation plan includes the following:

(1) Exercise price adjustment mechanism: The share options' exercise price will be reduced in certain cases by the amount of the gross dividend per share to be announced.

(2) Net exercise: The share options can only be exercised through a net exercise mechanism, according to which the option holder will receive shares from the Company for no consideration, only in an amount whose market value on the day of exercise is equal to the economic profit the holder would have had if he had sold all the shares for their market value, less the exercise price.

The following is information regarding the number of share options and restricted shares up to and including December 31, 2022:

	Number of share options	Number of restricted shares
Granted	40,055,720	6,753,371
Shares resulting from vesting and exercise	(8,319,560)	(4,522,773)
Canceled due to forfeitures, exercise and expiration	(29,441,219)	(1,863,748)
Total balance issued and not yet paid	**2,294,941**	**366,850**
Of which:		
Vested	777,683	-
Vesting in 2023	1,047,787	199,004
Vesting in 2024	429,635	159,278
Vesting in 2025	39,836	8,568

As of December 31, 2022, the Company expects to recognize expenses in respect of share-based compensation for employees in the amount of approx. NIS 5 million over the next three years for options and restricted shares granted until December 31, 2022.

Note 20 – Equity and Share-Based Payments

(B) Share-based compensation for employees (continued)

In December 2022, the Company's Board of Directors approved a new capital grant plan - the "2023 Option Grant Plan" ("2023 Plan"), under which, as of December 31, 2022, options have not yet been granted. The 2023 plan does not cancel the 2004 plan and does not result in changes in conditions of previous grants. The 2023 plan will be managed by the Company's Board of Directors or by a committee appointed on its behalf, subject to the relevant laws. The main points of the 2023 plan are as follows:

Type of securities:
According to the plan, only option-type securities can be granted.

Exercise price and adjustments:
The exercise price of each share option will not be less than the average par value of the Company's shares on the stock exchange at the end of 30 trading days preceding the allocation (according to the Company's remuneration policy, 5% must be added to the above amount); in the event that the Company becomes a private company, the market value will be as it would be determined in good faith by the Company's Board of Directors. The plan includes a mechanism for adjusting the exercise price in the event of a dividend distribution under certain conditions and subject to the receipt of an appropriate taxation decision from the Tax Authority to the Company's satisfaction. The plan includes a mechanism for adjusting, under certain conditions, the number of shares resulting from the exercise of options in cases where the Company will offer securities to its shareholders by way of a rights issuance or in cases of a consolidation of shares into shares with a larger par value or a split of the shares into sub-shares with a smaller par value.

Cashless exercise:
In addition, subject to the receipt of approval or a decision from the Tax Authority, and in accordance with the conditions and limitations appearing in the approval or decision, the option holder will exercise the entire amount of options whose vesting date has arrived through a mechanism for exercising stock options based on the benefit component, a Cashless Exercise. According to this mechanism, the offeree will be entitled to receive the number of shares whose aggregate market value is equal to the economic profit to which the option holder would be entitled if he sold all the shares he is entitled to purchase, at their market price, less the cost of exercising the option. According to this exercise method, the options can be exercised for the amount of shares that reflects only the benefit component. The offeree will not pay the exercise price and the exercise price will be used solely for the purpose of calculating the benefit component.

Vesting:
In every grant of options under the plan, without exception, the options will vest over a period of 4 years, so that at the end of each 12 months of continuous service of the offeree, 25% of the options granted in that grant will vest and become exercisable. There will be no acceleration of the vesting schedule, except if the Board of Directors decides to do so (a) in the event of the Company's delisting from trading, or (b) in the event that its securities will no longer be publicly traded.

Exercise period and expiration:
The option holder may exercise all or part of the options at any time after the vesting date, but no later than the end of the exercise period, which will be the shorter period of (a) five years from the date the options are granted, or (b) a shorter period, if shortened in accordance with the terms of the plan. Options that have not vested will expire upon termination of services by the offeree (for any reason) or in the event of bankruptcy of the offeree (or similar proceedings against him), according to the Board of Directors' decision. Options that have vested will expire at the earliest of (a) the end of the exercise period; (b) three calendar months from the date of termination of the provision of services by the offeree or, if the termination of the provision of the services is due to the death or disability of the offeree, twelve (12) calendar months from the date of termination of the provision of the aforementioned services; (c) termination of the provision of the offeree's services under "cause" circumstances as defined in the plan; or (d) bankruptcy of the offeree (or similar proceedings against him), according to the Board of Directors' decision.

Note 20 – Equity and Share-Based Payments

(B) Share-based compensation for employees (continued)

The following is information regarding quantities and movements in share options and restricted shares in 2020, 2021 and 2022:

	For the year ended December 31					
	2022		2021		2020	
	Quantity	Weighted average exercise price (NIS)	Quantity	Weighted average exercise price (NIS)	Quantity	Weighted average exercise price (NIS)
Share options:						
In circulation at beginning of year	**6,934,999**	**16.83**	**7,029,423**	**18.64**	**9,020,689**	**23.62**
Granted	119,508	23.48	3,827,782	15.60	1,035,635	14.24
Exercised	(3,104,772)	16.07	(3,048,724)	17.98	(296,450)	14.71
Forfeited	(451,379)	17.22	(196,000)	13.97	(252,547)	18.42
Expired	(1,203,415)	20.88	(677,482)	24.29	(2,477,904)	34.10
In circulation at end of year	**2,294,941**	**16.01**	**6,934,999**	**16.83**	**7,029,423**	**18.64**
Exercisable at end of year	777,683	**15.66**	2,189,520	19.46	4,071,714	20.04
Shares issued during the year due to exercises	2,187,202		447,222		46,747	
Restricted shares:						
In circulation at beginning of year	**1,347,817**		**1,007,423**		**1,230,464**	
Granted	25,703		820,059		398,055	
Vested	(889,642)		(404,025)		(534,053)	
Forfeited	(117,028)		(75,640)		(87,043)	
In circulation at end of year	**366,850**		**1,347,817**		**1,007,423**	

	Granted in 2022	Granted in 2021	Granted in 2020
Weighted average fair value of share option according to the Black and Scholes model, in NIS	8.03	4.41	3.71
The fair value was estimated based on the weighted average of the following assumptions:			
Expected standard deviation	40.75%	42.31%	37.24%
Risk-free interest	0.63%	0.18%	0.21%
Time to exercise, in years	3.5	2	3
Dividend yield	*	*	*

* Due to the exercise price adjustment mechanism, the dividend yield was set at 0% for the purpose of the option valuation model.

The degree of volatility is based on the historical volatility of the Company's shares, for periods corresponding to the expected life of the option until the exercise date. The expected time to exercise is determined according to the expected behavior of the offerees and the conditions of the grants. The fair value of the restricted shares is determined according to the share price on the grant date.

Note 20 – Equity and Share-Based Payments

(B) Share-based compensation for employees

The following is information regarding the expiration dates of the share options issued and not yet exercised as of December 31, 2022:

Expiration in the year	Number of share options	Weighted average exercise price
2023	198,015	14.57
2024	82,163	18.53
2025	6,979	15.69
2026	142,463	14.64
2027	1,745,813	15.65
2028	119,508	23.48
	2,294,941	**16.01**

The average share price in the years 2020, 2021 and 2022 was NIS 14.76 per share, NIS 16.13 per share and NIS 25.94 per share, respectively. The wage expenses recorded in respect of share-based compensation for employees in 2020, 2021, and 2022 were NIS 12 million, NIS 15 million and NIS 18 million, respectively.

Note 21 – Additional Details regarding the Statement of Profit and Loss

(A) Revenues

The following is a breakdown of revenues by type of customer for the years 2020, 2021 and 2022. Business customers include subscribers of companies (P.C.) and other subscribers in business rate plans, which include, among others, licensed dealers and family members of large business customers.

	For the year ended December 31, 2022 NIS millions		
	Cellular segment	Fixed-line segment	Consolidated
Private customers	1,252	715	1,967
Business Customers	1,097	399	1,496
Total revenue	**2,349**	**1,114**	**3,463**

	For the year ended December 31, 2021 NIS millions		
	Cellular segment	Fixed-line segment	Consolidated
Private customers	1,200	672	1,872
Business Customers	1,089	402	1,491
Total revenue	**2,289**	**1,074**	**3,363**

	For the year ended December 31, 2020 NIS millions		
	Cellular segment	Fixed-line segment	Consolidated
Private customers	1,170	579	1,749
Business Customers	1,022	418	1,440
Total revenue	**2,192**	**997**	**3,189**

Note 21 – Additional details regarding the statement of profit and loss

(A) Revenues (continued)
Revenues from services are recognized over time and revenues from equipment are recognized at a point in time according to IFRS 15, with the exception of revenues from lease transaction, as detailed below:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Revenues from services include revenues from operating leases recognized over time according to IFRS 16:	91	78	73
Revenues from equipment include revenues from cellular device rentals on an operating lease recognized over time according to IFRS 16:	8	8	10

In addition, in 2022, revenues were recognized from the granting of the right-of-use of the fiber optic infrastructure in a finance lease recognized on the date of transfer of control to the customer according to IFRS 16 in an immaterial amount.

(B) Cost of sales

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Transmission, communication and content providers	821	800	786
Cost of equipment and accessories	482	550	510
Depreciation and amortizations	565	565	546
Wages, employee benefits and vehicle maintenance	313	292	282
Costs of handling, replacing and repairing equipment	49	61	66
Costs of rented properties, maintenance and overhead	74	75	75
Network and cable maintenance	86	88	97
Internet infrastructure maintenance and service providers	121	136	157
Information system maintenance	53	58	56
Amortization of deferred expenses – right-of-use	31	31	31
Others	71	76	58
Total cost of sales	**2,666**	**2,732**	**2,664**

(C) Sales and marketing expenses

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Wages, employee benefits and vehicle maintenance	127	103	81
Advertising and marketing	47	41	42
Sales commissions	32	32	31
Depreciation and amortizations	130	132	123
Costs of rented properties, maintenance and overhead	4	2	2
Others	17	13	12
Total sales and marketing expenses	**357**	**323**	**291**

Note 21 – Additional details regarding the statement of profit and loss

(D) Administrative and general expenses

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Wages, employee benefits and vehicle maintenance	101	93	81
Professional services	19	23	21
Credit card and other commissions	14	13	13
Depreciation	15	16	14
Others	20	19	16
Total administrative and general expenses	**169**	**164**	**145**

(E) Wages and employee benefits

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Wages, employee benefits and vehicle maintenance	618	567	526
Less: capitalized commissions (Note 11)	(42)	(41)	(44)
Less: capitalized costs (Notes 10, 11)	(92)	(91)	(85)
Cost of service: Defined contribution plan (Note 16 (1))	24	24	25
Cost of service: Defined benefit plan (Note 16(2))	15	14	10
Expenses for share-based compensation for employees (Note 20(B))	18	15	12
	541	488	444

In July 2022, the Company, the employee representatives, and the Histadrut signed a special collective agreement in effect until December 31, 2024, which regulates, among other things, a mechanism for wage increases for the years 2023 and 2024, as well as a mechanism for the employees' participation in the Company's profits for the years 2023 and thereafter. The agreement grants the employees, among other things, wage increases for each of the years 2023 and 2024 in the amount of 3.5% for employees with at least 4 years of service and whose salary does not exceed the determined salary level; a mechanism for employee participation in the Company's profits starting in 2023 according to the Company's compliance with its goals; and a one-time retention bonus for employees with at least two years of service, in a differential distribution. The agreement includes a statement by the Company that at least until December 31, 2024, it will maintain the Company's assets (the cellular network and the fiber network) under its ownership, at least as the situation was on the day the agreement was signed, and will not resort to downsizing or streamlining layoffs, except in specific cases and subject to the agreement of the employee representatives.

The collective agreement exhausts the claims of the parties to the agreement until December 31, 2024, in the matters regulated therein, including everything related to the participation in profits, wage increases and the acquisition of control of the Company, and the commitment of the parties to maintain industrial peace regarding the matters regulated therein.

The cost of the arrangements included in the agreement (not including the cost of employee participation in the Company's profits, which is contingent on future results) in 2022 is approx. NIS 20 million, and is estimated to be approx. NIS 42 million for the years 2023 and 2024 combined.

Note 22 – Other Income, Net

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Interest income for sales transactions in installments	17	20	21
Other revenues, net	14	8	9
	31	28	30

Note 23 – Financing Expenses

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Interest expenses and other financing expenses	58	50	59
Interest expenses for leases	17	18	18
	75	68	77

Note 24 – Taxes on Income

(A) Tax rates applicable to the Company

The revenues of the Company and its subsidiaries in Israel are subject to corporate tax at a regular rate.
The corporate tax rate applicable to the Company and its subsidiaries in Israel is 23%.

(B) Deferred taxes

Deferred tax balances (deferred tax liability) and their movements in NIS millions:

Deferred tax asset (liability) in respect of	Balance as of January 1, 2020	Recorded to the statement of profit and loss	Balance as of December 31, 2020	Recorded to the statement of profit and loss	Recorded to other comprehensive income	Balance as of December 31, 2021	Recorded to the statement of Profit or Loss	Recorded to other comprehensive income	Balance as of December 31, 2022
Provision for credit losses	39	(5)	34	(5)		29	(5)		24
Provisions for employee rights	18	(5)	13	3	(2)	14		(1)	13
Depreciation of fixed assets and software	(11)	12	1	14		15	12		27
Right-of-use asset in leases	(134)	(18)	(152)	(4)		(156)	8		(148)
Lease liability	142	19	161	5		166	(8)		158
Other intangible assets and deferred expenses	(40)	(13)	(53)	2		(51)	32		(19)
Losses carried forward for tax purposes	21	(1)	20	(7)		13	(13)		-
Share-based payment for employees and others	6	(1)	5	(1)		4	-		4
Total	**41**	**(12)**	**29**	**7**	**(2)**	**34**	**26**	**(1)**	**59**

Note 24 - Income Tax

(B) Deferred taxes

	December 31	
	2022	2021
	NIS millions	
Deferred tax assets		
Deferred tax assets whose recovery is expected after more than 12 months from the date of the statement of financial position	196	200
Deferred tax assets whose recovery is expected after less than 12 months from the date of the statement of financial position	55	69
	251	269
Deferred tax liabilities		
Deferred tax liabilities whose settlement is expected after more than 12 months from the date of the statement of financial position	138	184
Deferred tax liabilities whose settlement is expected within 12 months from the date of the statement of financial position	54	51
	192	235
Deferred taxes, net	59	34

(C) Reconciliation with theoretical tax rate

The following is a reconciliation between the "theoretical" tax amount, which would apply if all income were subject to tax according to the regular rates applicable to companies in Israel (see A above), and the amount of tax recorded in the statements of profit and loss for the reporting year:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Profit (loss) before taxes on income in the statement of profit and loss	(72)	99	27
Theoretical tax expenses (income)	(16)	23	6
Deferred taxes due to goodwill impairment	34		
Increase in tax for unrecognized expenses	7	4	4
Taxes in respect of previous years	3	(34)*	3
Temporary differences and a reduction in taxes resulting from the utilization, in the reporting year, of losses from previous years for tax purposes for which deferred taxes were not recorded in the past	-	(9)*	(3)
	28	(16)	10

* See Note 24(E)(1).

Note 24 - Income Tax

(D) Tax expenses included in the statement of profit and loss

	For the year ended December 31		
	2022	**2021**	**2020**
	NIS millions		
For the reporting year:			
Current taxes	53	12	2
Deferred taxes (see (C) below)	(28)	15	5
Adjustments in respect of previous years:			
Current taxes	1	(21)*	(4)
Deferred taxes (see (C) below)	2	(22)*	7
	28	(16)	10

* See Note 24(E)(1).

(E) Tax assessments

(1) In December 2021, the Company signed an agreement with the Israel Tax Authority in connection with a tax audit for the years 2016-2019. In accordance with the agreement, the Company paid NIS 2.5 million to close the assessments for those years, in addition to the advances already paid in the past. Following the agreement, the Company reduced the provisions for income tax and recognized deferred taxes for the amounts that will be deductible in the following years. The effect of the agreement on the net tax expenses was an income of NIS 43 million.

(2) According to the tax laws, self-assessments of two other subsidiaries are considered final up to and including the 2017 tax year.

(F) Losses carried forward for tax purposes

In the tax report for the 2021 tax year, the Company utilized a loss carried forward in the amount of NIS 51 million.
As of the end of the 2022 tax year, the Company has no balance of losses carried forward for tax purposes.

Note 25 – Transactions and Balances with Interested Parties and Related Parties

"Interested Party" - as this term is defined in the Securities Regulations (Annual Financial Statements), 2010.

"Related Party" - as defined in International Accounting Standard 24.

(א) Remuneration of interested parties

		For the year ended December 31		
		2022	2021	2020
Wages and salaries for interested parties employed in the Group*	NIS millions	**7**	**9**	**6**
Number of people to whom the benefit refers		2	2	1
Remuneration for directors who are not employed in the Group	NIS millions	**5**	**5**	**4**
Number of people to whom the benefit refers		13	11	10

(*) Wages and salaries to interested parties includes remuneration to CEOs who served in the Company during the year. The benefits include, among other things, salary, provisions for benefits at the end of employment, provision for a bonus for meeting goals and expenses for capital compensation recorded in the reporting year.

The balance of bonds held by interested parties, which includes bonds held for the benefit of the public through, among others, provident funds, mutual funds and pension funds, as of December 31, 2021 and 2022, is NIS 624 million and NIS 480 million PV, respectively.

Note 25 – Transactions and Balances with Interested Parties and Related Parties

(B) Remuneration for key management personnel

Key management personnel who are included in the definition of "related parties" stated in IAS 24 include the Company's senior management and the members of the Company's Board of Directors.

Remuneration for key management personnel:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Short-term employee wages and benefits	22	25	21
Long-term employee benefits	4	6	3
Share-based compensation	12	11	7
	38	42	31

Statement of financial position balances with key management personnel

	December 31	
	2022	2021
	NIS millions	
Current liabilities	8	15
Long-term liabilities	5	9

In the ordinary course of business, key management personnel or their relatives may engage in immaterial transactions with the Company under normal market conditions.

The Company undertook to indemnify its directors and officers for certain events detailed in the exemption and indemnity letters granted to them, provided that the maximum amount of the indemnification for monetary liabilities imposed according to a judgment (including a judgment given in a settlement or an arbitral award approved by the court) for any occurrence of one of the events detailed in the indemnity letter, the cumulative amount for all officers, including officers serving on behalf of the Company in subsidiaries, will not exceed 25% of the Company's consolidated equity according to the most recently reviewed or audited consolidated financial statements of the Company approved by the Company's Board of Directors prior to the date of approval of payment for the indemnity.

In addition, the letters of exemption and indemnity also include exemption from liability in respect of the violation of the duty of care towards the Company, which applies to the officers and directors who serve and/or will serve in the Company, as they will be from time to time.

Such an exemption will not apply to cases that are not permitted according to the law and the Company's Articles of Association and will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (even an officer other than the one for whom the exemption is granted) has a personal interest therein, and will apply to amounts for which the officers are not entitled to indemnity according to the Company's directors and officers liability insurance policy.

Note 25 – Transactions and Balances with Interested Parties and Related Parties

(C) Transactions with related parties and interested parties carried out in the ordinary course of business and under normal commercial conditions:

Balance sheet balances with related parties and interested parties

	December 31	
	2022	2021
	NIS millions	
Current liabilities	1	1
Current assets	11	2
The highest balance during the year	13	2

Revenues and expenses in respect of related parties and interested parties

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Current revenues	5	7	4
Expenses: cost of sales	6	5	4
Administrative and general expenses	5	3	2

(D) Negligible transactions:

The Company engages from time to time in the ordinary course of business, in negligible transactions, which are not unusual, with interested parties for the purchase and sale of equipment or services. According to the Company's procedures, in the absence of special qualitative considerations due to the full circumstances of the matter, such a transaction that is not unusual will be considered negligible for the aforementioned needs, if the amount of the specific transaction does not exceed NIS 1 million.

(E) Principal shareholders
See Note 1(A).

(F) Holding limits of the Company's shares
See Note 20(A).

Note 26 - Earnings per Share

The following table presents the profit and the weighted average number of shares used to calculate the basic and diluted earnings per share.

	For the year ended December 31		
	2022	**2021**	**2020**
Profit (loss) for the period attributed to the Company shareholders, used to calculate the basic and diluted earnings per share (NIS millions)	(100)	115	17
Weighted average number of shares used to calculate basic earnings per share (in thousands)	184,634	183,203	182,331
Adjustment for additional shares due to the exercise of share options and restricted shares for employees (in thousands)	-	1,131	857
Weighted average number of shares used to calculate diluted earnings per share (in thousands)	184,634	184,334	183,188
Number of share options and restricted shares that were not taken into account in the calculation of diluted earnings per share due to their anti-dilutive effect (in thousands)	80	4,470	6,466

Note 27 – Events Subsequent to the Balance Sheet Date

See Note 1 regarding the delisting of the Company's shares from trading on the NASDAQ and the deregistration procedure and termination of reporting obligations to the SEC.

See also note 17(3) regarding engagements and transactions.

Separate Financial Information for the Year ended December 31, 2022

(Audited)

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To:
The Shareholders of Partner Communications Company Ltd.
8 Amal, Rosh Ha'ayin

Dear Sirs/Madams,

Re: Special Report of the Independent Auditor regarding Separate Financial Information according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 of Partner Communications Company Ltd. (hereinafter - the "Company") as of December 31, 2022 and 2021 and for each of the three years ended December 31, 2022. The Separate Interim Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on the separate financial information based on our audits.

We have conducted our audit in accordance with generally accepted auditing standards in Israel. These standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and details included in the separate financial information. An audit also includes an examination of the accounting principles applied in the preparation of the separate financial information and of significant estimates made by the Company's Board of Directors and management, as well as an assessment of the adequacy of the presentation of the separate financial information. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial information has been prepared, in all material respects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv, Kesselman and Kesselman

March 27, 2023 Certified Public Accountants

A PricewaterhouseCoopers International Limited member firm

Kesselman and Kesselman, 146 Menachem Begin Road, Tel Aviv 6492103, Israel, POB 7187, Tel Aviv 6107120
Phone: 972-3-7954555+, Fax: 972-3-7954556+, www.pwc.com/il

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Assets and Liabilities included in the Consolidated Financial Statements attributed to the Company Itself

	Note	As of December 31	
		2022	2021
		NIS millions	
Current assets			
Cash and cash equivalents		527	297
Short-term deposits	2	202	344
Customers		563	554
Accounts receivable and debit balances		102	140
Inventory		87	84
		1,481	1,419
Non-current assets			
Long-term deposits	2	-	280
Customers		207	243
Deferred expenses – right-of-use		222	206
Leases – right-of-use asset, net		339	347
Fixed assets, net	4	400	459
Intangible and other assets, net	4	382	432
Loans to investees		504	396
Deferred tax assets		59	34
		2,113	2,397
Net amount, attributed to Company shareholders, of the total assets, less the total liabilities, which present financial information in respect of investees in the consolidated financial statements, including goodwill	5	933	1,108
Total assets attributed to the Company itself		4,527	4,924

Shlomo Rodav	Avi Gabbay	Miri Takutiel
Chairman of the Board of Directors	CEO	CFO

Financial statements date of approval by the Company's Board of Directors: March 27, 2023.

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Assets and Liabilities included in the Consolidated Financial Statements attributed to the Company Itself

		As of December 31	
		2022	2021
	Note	NIS millions	
Current liabilities			
Current maturities of bonds and loans	2	238	268
Suppliers		640	639
Accounts payable, credit balances and provisions		183	180
Current maturities of lease liabilities		62	61
Loan received from a related party		14	11
Deferred revenue and other payables		63	75
		1,200	1,234
Non-current liabilities			
Bonds	2	1,010	1,224
Bank loans	2	161	184
Liability for severance pay, net		28	35
Long-term lease liabilities		309	316
Deferred revenue from Hot Mobile		8	39
Other long-term liabilities and provisions		29	33
		1,545	1,831
Total liabilities attributed to the Company itself		2,745	3,065
Equity			
Equity attributed to Company shareholders		1,782	1,859
		4,527	4,924

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Revenues and Expenses included in the Consolidated Financial Statements attributed to the Company Itself

		For the Year ended December 31		
		2022	2021	2020
Profit or loss	**Note**	**NIS millions**		
Revenues		2,631	2,557	2,430
Cost of revenues		(2,095)	(2,163)	(2,143)
Gross profit		**536**	**394**	**287**
Sales and marketing expenses		(277)	(256)	(245)
Administrative and general expenses		(122)	(118)	(109)
Credit losses		(3)	(7)	(19)
Other revenues, net		23	23	23
Operating profit (loss)		**157**	**36**	**(63)**
Financing income		9	7	7
Financing expenses		(63)	(58)	(67)
Financing expenses, net		54	51	60
Net amount, attributed to Company shareholders, of total revenues, less total expenses, which present results of operations in respect of investees in the consolidated financial statements, including the impairment of goodwill		(175)	114	150
Profit (loss) before taxes on income		**(72)**	**99**	**27**
(Income tax) tax benefit	3	(28)	16	(10)
Total profit (loss) for the period attributed to Company shareholders		**(100)**	**115**	**17**

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations(Periodic and Immediate Reports), 1970

Revenues and Expenses included in the Consolidated Financial Statements attributed to the Company Itself

		As of December 31		
		2022	2021	2020
Comprehensive income	**Note**	**NIS millions**		
Profit (loss) for the period		(100)	115	17
Other comprehensive income items for the period that will not be recorded to profit and loss				
Remeasurement of defined benefit plan		6	8	1
Deferred taxes related to the defined benefit plan		(1)	(2)	*
Total other comprehensive income for the year, net of tax attributed to the Company itself		5	6	1
Total comprehensive income (Loss) for the period		**(95)**	**121**	**18**

* Represents an amount less than NIS 1 million.

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Cash Flows included in the Consolidated Financial Statements attributed to the Company Itself

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Cash flows from operating activities			
Cash provided by operating activities (Appendix)	816	677	637
Income tax paid	(51)	(17)	(1)
Net cash provided by operating activities	**765**	**660**	**636**
Cash flows for investing activities			
Purchase of fixed assets	(99)	(117)	(122)
Purchase of intangible and other assets	(156)	(132)	(143)
Grant received from the Ministry of Communications	37		
Investments in short-term deposits, net	142	67	141
Investment in long-term deposits	-	(280)	(155)
Repayment of long-term deposits	280	155	
Interest received	6	3	6
Net cash flows used in investing activities in investees	(360)	(363)	(253)
Net cash used in investing activities	**(150)**	**(667)**	**(526)**
Cash flows for financing activities			
Repayment of lease liability	(64)	(60)	(63)
Proceeds from issuance of shares, less issue expenses	-	-	276
Proceeds from issuance of bonds, less issue expenses	(1)	220	466
Interest paid	(55)	(57)	(57)
Receipt of long-term bank loans	-	150	-
Repayment of long-term bank loans	(52)	(52)	(52)
Repayment of bonds	(213)	(237)	(620)
Settlement of contingent consideration	-	-	(2)
Net cash used in investing activities	**(385)**	**(36)**	**(52)**
Increase (decrease) in cash and cash equivalents	230	(43)	58
Cash and cash equivalents at beginning of year	297	340	282
Cash and cash equivalents at end of year	**527**	**297**	**340**

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Cash Flows included in the Consolidated Financial Statements attributed to the Company Itself

	Note	For the year ended December 31		
		2022	2021	2020
		NIS millions		
Cash flows from operating activities attributed to the Company itself				
Profit (loss) for the period attributed to the Company itself		(100)	115	17
Adjustments:				
Depreciation and amortizations		416	448	462
Amortization of deferred expense payments – right-of-use		48	41	35
Share-based payments		18	15	12
Expenses in respect of provision for severance pay, net		(1)	1	(1)
Financing expenses, net		(1)	(5)	(3)
Interest paid		55	57	57
Interest received		(6)	(3)	(6)
Deferred income tax		(27)	(7)	12
Income tax paid		51	17	1
Share in losses (profits) of investees		175	(114)	(150)
Changes in asset and liability items:				
Change in customers (including long-term customers)		26	(27)	76
Change in other receivables		1	(67)	(2)
Change in suppliers		(16)	19	(45)
Change in other payables and provisions		27	56	(45)
Change in related party		256	270	231
Change in deferred and other revenue		(43)	(40)	(4)
Change in deferred expenses - right-of-use		(63)	(63)	(51)
Change in inventory		(3)	(10)	43
Change in income tax current account		3	(26)	(2)
Net cash provided by operating activities		816	677	637

The attached notes are an integral part of the Separate Financial Information.

Partner Communications Company Ltd.

Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 1 – Preparation of the Separate Financial Information

A. Definitions

"The Company" – Partner Communications Company Ltd.

"Separate Financial Information" – financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Unless otherwise stated, all terms presented in the separate financial information are as the terms are defined in the Company's consolidated financial statements as of December 31, 2022 (hereinafter - the "Consolidated Financial Statements" or the "Consolidated Statements").

"Consolidated Company", "The Group", "Investee" – as defined in the consolidated financial statements.

"Intercompany Transactions" – the Company's transactions with subsidiaries.

"Intercompany Balances", "Intercompany Income and Expenses", "Intercompany Cash Flows" – balances, income or expenses, and cash flows, as the case may be, arising from intercompany transactions, which were canceled in the consolidated statements.

B. Preparation of the separate financial information according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

The separate financial information is financial data from the consolidated statements, published as part of the periodic reports, attributed to the Company itself, presented in accordance with the provisions of Regulation 9C (hereinafter - the "Regulation") and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "Tenth Addendum") regarding the corporation's separate financial information and subject to the clarifications stated in "Clarification in connection with the separate financial statement of the corporation" - published on the Securities Authority website on January 24, 2010, which refers to the manner of implementation of the aforementioned regulation and addendum (hereinafter - the "clarification of the Authority's staff").

The separate financial information does not constitute financial statements, including separate financial statements prepared and presented in accordance with international financial reporting standards (hereinafter - "IFRS") in general, and the provisions of IAS 27 "Separate Financial Statements" in particular. However, the accounting policy detailed in Note 2 to the consolidated statements regarding the significant accounting policies, and the manner in which the financial data were classified in the consolidated statements, were applied for the purpose of presenting the separate financial information, with changes as required by the following.

As part of the following notes, disclosures regarding additional material information are also included, in accordance with the disclosure requirements stated in Regulation 9C and as detailed in the tenth addendum and subject to the clarifications of the Authority's staff, to the extent that such information is not included in the consolidated financial statements in a way that specifically refers to the Company itself.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 1 – Preparation of the Separate Financial Information

C. Transactions between the Company and investee companies and partnerships

1. Assets and Liabilities included in the Consolidated Financial Statements attributed to the Company Itself

The amounts of assets and liabilities included in the consolidated statements of financial position are presented after neutralizing the cancellation of intercompany balances that were canceled in the consolidated statements, which are attributed to the Company itself and listed according to the types of assets and liabilities. These data were classified in the same way as they were classified in the consolidated statements of financial position. The aforementioned amounts of assets and liabilities reflect the assets and liabilities included in the consolidated statements of financial position, with the exception of the amounts of assets and liabilities in respect of investees, and with the addition or deduction, as the case may be, of intercompany balances canceled in the consolidated statements.

In addition, a net amount is presented, based on the consolidated statements of financial position, which is attributed to the Company shareholders, of the total assets, less total liabilities, presented in the consolidated statements of financial position, financial information regarding investees, including goodwill.

This presentation means that the equity attributed to the Company shareholders, based on the consolidated statements, is the same as the equity of the Company as derived from the separate financial information.

2. Revenues and expenses included in the consolidated statements attributed to the Company itself

The amounts of revenues and expenses included in the consolidated statements are presented with a division between profit or loss and other comprehensive income, after neutralizing the cancellation of intercompany income and expenses that were canceled in the consolidated statements, which are attributed to the Company itself and listed according to the types of revenues and expenses.

These data were classified in the same way as they were classified in the consolidated statements of comprehensive income / in the consolidated statements of profit and loss in the consolidated statements. The aforementioned amounts of revenues and expenses reflect the total revenues and expenses in the consolidated statements of comprehensive income / in the consolidated financial statements, with the exception of the amounts of revenues and expenses between investees, and with the addition or deduction, as the case may be, of intercompany revenues and expenses that were canceled in the consolidated statements.

In addition, a net amount is presented, based on the consolidated statements, attributed to the Company shareholders, of total revenues less total expenses, which present, in the consolidated statements, the results of operations in respect of investees. These data are presented with a division between profit or loss and other comprehensive income.

This presentation means that the Company's total profit for the year attributed to Company shareholders and the total comprehensive income for the year attributed to Company shareholders, based on the consolidated statements, is the same as the total profit for the year attributed to Company shareholders and the total comprehensive income for the year attributed to Company shareholders, respectively, as derived from the separate financial information.

3. Cash flows included in the consolidated statements attributed to the Company itself

Cash flows amounts included in the consolidated statements, which are attributed to the Company itself, are presented

as they are taken from the consolidated statements of cash flows (that is, the balances of the amounts after canceling intercompany cash flows in the consolidated statements), divided between cash flows from operating activities, cash flows from investing activities and cash flow from financing activities, with details of their components. In addition, as part of each of the aforementioned activities, the net intercompany cash flows are shown separately.

These data were classified in the same way as they were classified in the consolidated statements. These amounts reflect the cash flows included in the consolidated statements, with the exception of the cash flow amounts in respect of investees.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 2 – Financial Instruments

A. Financial assets at amortized cost

	For the year ended December 31	
	2022	**2021**
Cash and cash equivalents	527	297
Short-term NIS bank deposits	202	331
Long-term NIS bank deposits (1)	-	280
Short-term foreign currency bank deposits	-	13
Customers	563	554
Other receivables	102	140

(1) Deposits payable until June 25, 2023as of June 25, 2023

B. Liquidity risk

The following are the expected repayment dates of the main liabilities in the coming years.

The following is a breakdown of the maturities (non-discounted) of the financial liabilities as of December 31, 2022:

	2023	**2024**	**2025**	**2026**	**2027**	**2028 and thereafter**	**Total**
	NIS millions						
Principal payments of long-term debt:							
Series F Bonds	128	128					256
Series G Bonds	85	85	85	170	341		766
Series H Bonds			40	20		139	199
Loan Q	23	11					34
Loan R			30	15		105	150
Expected interest payments on bonds and loans	44	37	31	26	19	13	170
Lease liability	139	113	95	81	69	267	764
Suppliers and other payables	791						791
Total	1,210	374	281	312	429	524	3,130

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

The following is a breakdown of the maturities (non-discounted) of the financial liabilities as of December 31, 2021:

	2022	2023	2024	2025	2026	2027 and thereafter	Total
	NIS millions						
Principal payments of long-term debt:							
Series F Bonds	128	128	128				384
Series G Bonds	85	85	85	85	170	341	851
Series H Bonds				40	20	138	198
Loan P	29						29
Loan Q	23	23	11				57
Loan R				30	15	105	150
Expected interest payments on bonds and loans	49	44	37	31	26	30	217
Lease liability	139	120	96	81	70	278	784
Suppliers and other payables	819						819
Total	1,272	400	357	267	301	892	3,489

For additional information, see Notes 6 and 15 to the consolidated financial statements.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 3 – Taxation of the Company in Israel, its Tax Rates and Tax Assessments

A. Deferred taxes

	December 31	
	2022	2021
	NIS millions	
Deferred tax assets		
Deferred tax assets whose recovery is expected after more than 12 months from the date of the statement of financial position	196	200
Deferred tax assets whose recovery is expected after less than 12 months from the date of the statement of financial position	55	69
	251	269
Deferred tax liabilities		
Deferred tax liabilities whose settlement is expected after more than 12 months from the date of the statement of financial position	138	184
Deferred tax liabilities whose settlement is expected within 12 months from the date of the statement of financial position	54	51
	192	235
Deferred taxes, net	59	34

B. Reconciliation with theoretical tax rate

The following is a reconciliation between the "theoretical" tax amount, which would apply if all income were subject to tax according to the regular rates applicable to companies in Israel and the amount of tax recorded in the statements of profit and loss for the reporting year:

	For the year ended December 31		
	2022	2021	2020
	NIS millions		
Profit (loss) before taxes on income in the statement of profit and loss	(72)	99	27
Theoretical tax expenses (income)	(16)	23	6
Increase in tax for unrecognized expenses	7	4	4
Deferred taxes due to goodwill impairment	34		
Taxes in respect of previous years	3	(34)	3
Temporary differences and a reduction in taxes resulting from the utilization, in the reporting year, of losses from previous years for tax purposes for which deferred taxes were not recorded in the past	-	(9)	(3)
	28	(16)	10

For information regarding the method of measuring the Company's results in Israel for tax purposes, regarding the tax rates applicable to its income and regarding the Company's tax assessments, see Note 24 to the consolidated statements.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

C. Tax expenses included in the statement of profit and loss

	For the year ended December 31		
	2022	**2021**	**2020**
	NIS millions		
For the reporting year:			
Current taxes	53	12	2
Deferred taxes	(28)	15	5
For previous years:			
Current taxes	1	(21)	(4)
Deferred taxes	2	(22)	7
	28	(16)	10

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 4 – Fixed and Other Assets

	Fixed assets	Other assets
	NIS millions	
Cost		
Balance as of December 31, 2020	1,576	2,861
Additions in 2021	122	132
Disposals in 2021	(340)	(82)
Balance as of December 31, 2021	1,358	2,911
Additions in 2022	118	123
Disposals in 2022	(345)	(44)
Balance as of December 31, 2022	1,131	2,990
Accumulated depreciation		
Balance as of December 31, 2020	1,038	2,378
Additions in 2021	201	183
Disposals in 2021	(340)	(82)
Balance as of December 31, 2021	899	2,479
Additions in 2022	177	173
Disposals in 2022	(345)	(44)
Balance as of December 31, 2022	731	2,608
Depreciated cost		
As of December 31, 2020	538	483
As of December 31, 2021	459	432
As of December 31, 2022	400	382

For additional information, see Notes 10 and 11 to the consolidated financial statements.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 5 – Relationships, Engagements, Loans, Investments and Material Transactions between the Company and its Investees

A. Investments and rates of holding in investees

	Company rights in capital	Investments in companies As of December 31	
		2022	2021
		NIS millions	
Investments in companies accounted for according to the equity method			
Partner Land-Line Communications Solutions - Limited Partnership	99.9%	926	1,103
Partner Future Communications 2000 Ltd. (PFC)	100%	*	*
Get Cell Communication Products - Limited Partnership	99.9%	18	15
PHI Networks (2015) - Limited Partnership	50%	(11)	(10)
Total		933	1,108

PHI Networks (2015) - Limited Partnership recorded losses mainly due to excess expenses for rent in accordance with IFRS 16 regarding rent actually paid for which it charged the partners.

* Represents an amount less than NIS 1 million.

B. Ongoing accounting

The Company and Partner Land-Line Communications Solutions - Limited Partnership - (hereinafter - the "Partnership") are communication providers that provide communication services in the cellular and fixed-line sectors, and are bound by arrangements between them for the provision and receipt of various communication-related services such as: transmission services, mutual connectivity and billing for communication services provided by both of them jointly. The accounting is performed according to the volume of use and rates based on market prices.

There is also accounting for receipts collected by the Company for services provided by the Partnership and on the other hand, for payments made by the Company for inputs and investments of the Partnership.

In addition, as part of the day-to-day conduct of the Company and the Partnership, the Company charges the Partnership for various services provided by the Company to the Partnership, including: marketing and sales, customer service, overhead, personnel and administration, as well as any other service required for the operation of the Partnership's day-to-day business. The expenses for services for which the Company charged the Partnership in 2020, 2021 and 2022 amount to a total of NIS 207 million, NIS 254 million and NIS 266 million.

C. Payments to PHI Networks (2015) - Limited Partnership ("PHI"), a subsidiary partnership held at a rate of 50%

During the years 2020, 2021 and 2022, the Company paid PHI NIS 51 million, NIS 63 million and NIS 63 million, respectively, for the right-of-use of the partnership's joint network.

In addition, for the network operating expenses the Company paid PHI in 2020, 2021 and 2022 the amount of NIS 207 million, NIS 223 million and NIS 220 million, respectively.

See also Note 9 to the consolidated financial statements.

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 5 – Engagements, Loans and Material Transactions with Investees (continued)

D. Loans to investees

	December 31	
	2022	2021
	NIS millions	
Loan to Partner Land-Line Communications Solutions - Limited Partnership	504	96
Capital note to Partner Land-Line Communications Solutions - Limited Partnership	-	300

On December 29, 2022, the capital note was repaid against the provision of a loan to Partner Land-Line Communications Solutions - Limited Partnership.

The loan is unlinked and bears annual interest at a rate according to Section 3(j) of the Income Tax Ordinance.

E. Guarantee for investee partnerships

The Company provided a guarantee to banks for PHI's credit facility in the amount of NIS 50 million. As of the date of the statement of financial position, no funds were withdrawn from the credit facility.

For additional information regarding guarantees, see Note 17 to the consolidated financial statements.

Note 6 – Leases

	NIS millions		
	Right-of-use asset in lease		Lease liability
	Buildings	Vehicles	
Balance as of January 1, 2021	**298**	**39**	**365**
Amortizations	(37)	(27)	
Accrued interest			9
Non-cash movement	41	33	72
Lease fee payments (principal)			(60)
Lease fee payments (interest)			(9)
Balance as of December 31, 2021	**302**	**45**	**377**
Amortizations	(39)	(27)	
Accrued interest			8
Non-cash movement	41	17	58
Lease fee payments (principal)			(64)
Lease fee payments (interest)			(8)
Balance as of December 31, 2022	**304**	**35**	**371**
Short-term			62
Long-term	305	35	309
Balance as of December 31, 2021	**302**	**45**	**377**
Short-term			61
Long-term	302	45	316

Partner Communications Company Ltd.
Separate financial information provided according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

Notes and Additional Information to the Separate Financial Information provided according to Regulation 9C of the Securities Regulations

Note 7 – Events During and Subsequent to the Reporting Period

A. For information regarding share-based payments, see Note 20 to the consolidated financial statements.
B. For information regarding bonds and loans, see Note 15 to the consolidated financial statements.
C. For information regarding engagements and commitments, see Note 17 to the consolidated financial statements.
D. For information regarding contingent liabilities and legal claims, see Note 19 to the consolidated financial statements.
E. For information regarding goodwill impairment, see Note 13 to the consolidated financial statements.

Chapter D

Additional Information regarding the Corporation

December 31, 2022

Key terms and definitions that are not included in the body of the Report are presented in **Appendix A** to Chapter A of this report above.

Regulation 9D – Statement of Liabilities according to Maturity Dates

The Statement of Liabilities according to Maturity Dates is reported separately at the same time as this report.

Regulation 10A – Summary of the Statements of Comprehensive Income in each of the Quarters in 2022 (in NIS millions)

	Q1/2022	Q2/2022	Q3/2022	Q4/2022	2022
Revenues	854	859	891	859	3,463
Operating expenses	789	782	814	811	3,196
Goodwill impairment	-	-	-	304	304
Other revenues, net	7	8	7	9	31
Operating profit (loss)	**72**	**85**	**84**	**(247)**	**(6)**
Financing expenses, net	18	21	15	12	66
Profit (loss) before taxes on income	**54**	**64**	**69**	**(259)**	**(72)**
(Income tax) tax benefit	(15)	(17)	(18)	22	(28)
Profit (loss) for the period	**39**	**47**	**51**	**(237)**	**(100)**

Regulation 10C – Use of the Proceeds from Securities

In December 2021, the Company completed the issuance of a new series of Bonds (Series H), according to the shelf offering report published on December 22, 2021 and according to the Company's shelf prospectus dated July 27, 2021. The Company allocated a total of NIS 198,407,000 PV of Bonds (Series H) for a gross consideration of approx. NIS 198.4 million. The issue proceeds will be used for debt recycling and for the Company's ongoing operations.

Regulation 11(1) and Regulation 11(2) – Investments in Subsidiaries and in Related Companies

The following table presents the Company's investments in subsidiaries and in material related companies, as of the date of the statement of financial position:

Company name	Stock	Type	Number	Total PV	Value in	Company's rate of holding

	market share no.	of shares	of Shares	held by the Company	Company's separate financial statement (in NIS millions)	In capital	In voting rights	In authority to appoint directors
Partner Land-Line Communications Solutions - Limited Partnership	-	-	-	-	926	99.9%	99.9%	99.9%
Get Cell Communication Products - Limited Partnership	-	-	-	-	18	99.9%	99.9%	99.9%
PHI Networks - Limited Partnership	-	-	-	-	(11)	%50	%50	%50

Regulation 11(3) – Balance of Bonds and Loans Given and Received by the Company to Subsidiaries and Related Companies as of the Date of the Statement of Financial Position

Name of company providing the loans	Name of company receiving the loans	Balance of loans as of December 31, 2022 (in NIS millions)	Main terms of the loans
Partner Communications Company Ltd.	Partner Land-Line Communications Solutions - Limited Partnership	504	An NIS unlinked loan, bearing annual interest at a rate according to Section 3(j) of the Income Tax Ordinance, repayment of the loan and interest will be on December 31, 2026

Regulation 12 – Changes in Investments in Subsidiaries and in Material Related Companies in the Reporting Period

During the reporting period, there were no changes regarding the Company's investments in subsidiaries and/or material related companies.

Regulation 13 – Revenues of Subsidiaries and Material Related Companies and the Company's Revenues from Them

The following table lists the comprehensive income (loss) of the Company's subsidiaries and material related companies (the profit figures are the consolidated figures of these companies), and the Company's revenues from them received up to the date of the statement of financial position, for the year 2022 and for the period after the balance sheet date (in NIS millions):

Company name	Profit for the period	Total other comprehensive income for the period	Management fees (received up to December 31, 2022)		Interest and linkage differences (received up to December 31, 2022)		Dividend (received up to December 31, 2022)	
			For 2022	For the period after the balance sheet date	For 2022	For the period after the balance sheet date	For 2022	For the period after the balance sheet date
Partner Land-Line Communications Solutions - Limited Partnership	(20)	(20)	-	-	3	-	-	-
Get Cell Communication Products - Limited Partnership	3	3	-	-	-	-	-	-

Regulation 20 – Trading on the Stock Exchange

1. During the year 2022, 3,104,772 unlisted options were exercised (for 1,297,560 shares), 688,417 restricted share units vested and 25,703 restricted shares were allocated, so that as a result of these exercises, 2,011,680 ordinary shares were listed for trading.
2. From the beginning of 2023 until the date of publication of this report, 78,491 unlisted options were exercised (for 31,658 shares) and 6,786 restricted share units vested, so that as a result of these exercises, 38,444 ordinary shares were listed for trading.

Regulation 21 – Remuneration of Interested Parties and Senior Officers in 2022

The following is a breakdown of the remunerations given in the reporting year, as recognized in the financial statements for the reporting year, to each of the five highest-paid senior officers of the Company, who were remunerated in connection with their service in the Company or in a company under its control, as the case may be, in NIS thousands:

Remuneration recipient	Remuneration for services	Other	Total

											remuneration			
Name	**Position**	**Scope of employment**	**Rate of holding in capital**	**Salary** (1)	**Bonus**	**Share-based payment**(2)	**Management fees**	**Consultation fees**	**Commission**	**Other** (3)	**Interest**	**Rental fees**	**Other**	
Avi Zvi	The former Company CEO	100%	-	509	-	3,978	-	-	-	98	-	-	-	4,585
Avi Gabbay	Company CEO	100%	(4)	1,356	698	-	-	-	-	1,592	-	-	-	3,646
Tamir Amar	Deputy CEO and former VP Finance and Fiber Optics	100%	-	1,249	612	874	-	-	-	178	-	-	-	2,913
Yakov Truzman	Deputy CEO and former VP Sales	100%	-	1,237	549	906	-	-	-	219	-	-	-	2,911
Ori Gal	Former VP Marketing	100%	-	839	390	977	-	-	-	422	-	-	-	2,628

(1) The salary component includes the following components: gross salary, social benefits and related contributions as is customary in the Company (such as vacation days, recouperation pay, executive insurance, advanced study fund, pension, severance pay, disability insurance, National Insurance payments, medical insurance, phone, grossing up for tax in respect of the benefits, etc.).

(2) The amount stated in the table above in the column "Share-based payment" reflects the expenses recorded in the Company's consolidated financial statements for the relevant period for share-based compensation, based on the fair value of the relevant options on the date they were granted, in accordance with accounting principles regarding share-based compensation.

(3) Other – includes retirement expenses (in accordance with the terms of the employment agreement) that will be paid only after retirement, and car expenses.

(4) Mr. Gabbay is one of the general partners in the Company's controlling shareholder. For information, see Regulation 21A below.

<u>The following is additional information regarding the terms of office and employment of the senior officers listed in the table above</u>:

Mr. Avi Zvi served as the Company CEO from June 1, 2021 to May 31, 2022. Mr. Avi Zvi's employment agreement was for an indefinite period that could be terminated at any time by Mr. Zvi or the Company, with three months' prior written notice during the first year of employment and six months from the second year of employment and thereafter. n addition to the notice

period, Mr. Zvi is entitled to an adaptation period of six months. For his term of office as Company CEO, Mr. Zvi was entitled to the following main conditions: (a) a gross monthly salary of NIS 115,000 (linked to the Consumer Price Index published for the month of April 2021); (b) related conditions, including 23 days of annual vacation, 27 sick days, medical management survey, contributions to a pension plan and an advanced study fund, cellphone, phone line costs, Internet, Internet connection and two daily digital newspapers, reimbursement of per diem expenses in Israel and abroad in accordance with the Company's procedures as defined from time to time; c) a company vehicle, including the expenses for the use and maintenance of the vehicle, and the Company will bear the applicable tax for the use of the vehicle and gross up the imputation of the value in his salary; (d) directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the Company's officers and directors; (e) eligibility to receive an annual bonus and a special bonus for achieving quantitative and qualitative targets in accordance with the terms of the Company's compensation policy. In addition, as part of the agreement, provisions were determined regarding confidentiality, non-competition and intellectual property.

In 2021, 1,143,005 share options and 215,661 restricted shares were granted to Mr. Avi Zvi with a vesting period of up to four years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 5 million and the fair value of the restricted shares was approx. NIS 3.36 million.

According to the Company's equity compensation plan under which the securities were allocated to Mr. Avi Zvi, in the event of termination of employment within a period of six months from the date of a change of control event in the Company (as defined in the plan), the offeree is entitled to full acceleration of all of the securities that have not yet vested at the time of termination of his employment, and for this matter, the transaction for the purchase of the shares by Amphissa (as stated in Regulation 21A below) on April 4, 2022 constitutes a change of control event for the purposes of the aforementioned plan. With the termination of Mr. Zvi's employment on July 12, 2022, the securities granted to him in 2021 were fully vested.

Mr. Avi Gabbay has been serving as Company CEO since June 1, 2022. Mr. Avi Gabbay's employment agreement is for an indefinite period and can be terminated at any time by Mr. Gabbay or the Company, with three months' prior written notice during the first year of employment and six months from the second year of employment and thereafter. It is up to the Company, at its sole discretion, to pay Mr. Gabbay compensation for advance notice in the event of termination of employment, instead of actual utilization of the advance notice period on the basis of 130% of the base salary (monthly salary) (this amount also reflects the cost of social

benefits). For his term of office as Company CEO, Mr. Gabbay is entitled to the following main conditions: (a) a gross monthly salary of NIS 150,000 (linked to the Consumer Price Index published for the month of May 2022); (b) related conditions, including 23 days of annual vacation, 27 sick days, medical management survey, contributions to a pension plan and an advanced study fund, cellphone, phone line costs, Internet, Internet connection and two daily newspapers, reimbursement of per diem expenses in Israel and abroad in accordance with the Company's procedures as defined from time to time; c) a company vehicle, including the expenses for the use and maintenance of the vehicle, and the Company will bear the applicable tax for the use of the vehicle and gross up the imputation of the value in his salary, or alternatively, reimburse the vehicle expenses in the amount of the benefit; (d) directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the Company's officers and directors; (e) a special bonus for the year 2022 subject to meeting quantitative targets (as detailed below); (f) entitlement to receive an annual bonus in respect of 2023 for achieving quantitative targets in accordance with the terms of the Company's remuneration policy, according to a mechanism that will be determined later according to the Company's authorized bodies (as detailed below); (g) eligibility to receive equity compensation, in accordance with the terms of the Company's compensation policy, according to a mechanism that will be determined later according to the Company's authorized bodies (as detailed below).

In addition, as part of the agreement, provisions were determined regarding confidentiality and non-competition (without additional payment) for a period of 6 months from the end of the employment period.

Mr. Gabbay will be entitled to a special bonus for 2022 subject to meeting the quantitative targets detailed below:

1. Adjusted EBITDA target (not including roaming) for 2022, in the amount of NIS 872 million - the weight of which will be 50% of the special annual bonus;
2. FREE CASH FLOW target (FCF) for 2022 (not including roaming) in the amount of NIS 167 million - the weight of which will be 25% of the special annual bonus;
3. Service Revenues in Cellular target for 2022 (not including roaming), in the amount of NIS 1,618 million - the weight of which will be 25% of the special annual bonus;

The amount of the special annual bonus will be determined in accordance with the above targets having been met, according to the following indicators:

1. For meeting 100% of the above targets, the amount of the special annual bonus will be NIS

750,000 (hereinafter - the “**Target Bonus**");

2. For meeting 90% of the above targets, the amount of the special annual bonus will be 80% of the target bonus, i.e. an amount of NIS 600,000 (hereinafter - the "**Minimum Bonus**");
3. For meeting the above targets at a rate between 90% and 100% - the amount of the special annual bonus will be calculated linearly between the target bonus and the minimum bonus;
4. For meeting the above targets at a rate of 115% and higher, the special annual bonus will be NIS 900,000 (hereinafter - the “**Maximum Bonus**");
5. For meeting the above targets at a rate between 100% and 115% - the amount of the special annual bonus will be calculated linearly between the target bonus and the maximum bonus.
6. For meeting the above targets at a rate lower than 90% - Mr. Gabbay will not receive a special annual bonus.
7. The weighted calculation of fulfillment of the above targets will be by means of a weighted average of the rate of fulfillment with each target (with a weighting of the rate of fulfillment exceeding 100% for a specific target in case of overperformance) according to the relative weight of each target in the special bonus.

According to his fulfillment of the conditions of the special bonus as stated above, Mr. Avi Gabbay is entitled to a special bonus for 2022 in the amount of approx. NIS 698 thousand.

On March 23, 2023 and on March 27, 2023, the Company's Compensation Committee and Board of Directors, respectively, approved a mechanism for determining entitlement to an annual bonus for Mr. Avi Gabbay for 2023, which will not exceed 18 salaries, for achieving quantitative targets in accordance with the terms of the Company's compensation policy. In addition, at the aforementioned meetings, the Compensation Committee and the Board of Directors approved the granting of 458,085 share options, at a fair value of NIS 2,702 thousand (for the entire period) which vest over a period of four years, in accordance with the terms of the Company’s compensation policy. Approval of the bonus mechanism for 2023 and the granting of the options to Mr. Gabbay as mentioned, will be submitted for approval at the upcoming General Meeting of the Company's shareholders.

Mr. Tamir Amar served as the Company's CFO starting February 1, 2018 and was appointed as VP Fiber Optics in June 2020 and as Deputy CEO of the Company in June 2021 until September 3, 2022. Mr. Tamir Amar's employment agreement was for an indefinite period that could be terminated at any time by Mr. Amar or the Company, with three months' prior written notice during the first year of employment and six months from the second year of employment and

thereafter. In addition to the notice period, Mr. Amar is entitled to an adaptation period of two months. For his term of office, Mr. Amar was entitled to the following main conditions: (a) a gross monthly salary of NIS 102,000 (linked to the Consumer Price Index published for the month of December 2017); (b) related conditions, including 23 days of annual vacation, 27 sick days, medical management survey, contributions to a pension plan and an advanced study fund, cellphone, phone line costs, Internet, Internet connection and two daily newspapers, reimbursement of per diem expenses in Israel and abroad in accordance with the Company's procedures as defined from time to time; c) a company vehicle, including the expenses for the use and maintenance of the vehicle, and the Company will bear the applicable tax for the use of the vehicle and gross up the imputation of the value in his salary; (d) directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the Company's officers and directors; (e) eligibility to receive an annual bonus for achieving quantitative and qualitative targets in accordance with the terms of the Company's compensation policy, as determined by the authorized bodies in the Company; (f) eligibility to receive equity compensation, in accordance with the terms of the Company's compensation policy, as determined by the authorized bodies in the Company. In addition, as part of the agreement, provisions were determined regarding confidentiality and non-competition (without additional payment) for a period of 6 months from the end of the employment period.

In 2018, 245,887 share options and 79,118 restricted shares were granted to Mr. Tamir Amar with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 0.9 million and the fair value of the restricted shares was approx. NIS 1.4 million.

In 2021, 280,814 share options and 60,182 restricted shares were granted to Mr. Tamir Amar with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 1.2 million and the fair value of the restricted shares was approx. NIS 1 million.

According to the Company's equity compensation plan under which the securities were allocated to Mr. Tamir Amar, in the event of termination of employment within a period of six months from the date of a change of control event in the Company (as defined in the plan), the offeree is entitled to full acceleration of all of the securities that have not yet vested at the time of termination of his employment, and for this matter, the transaction for the purchase of the shares by Amphissa (as stated in Regulation 21A below) on April 4, 2022 constitutes a change of control event for the purposes of the aforementioned plan. With the termination of Mr. Amar's employment on March 20, 2023, the securities granted to him in 2021 were fully vested.

Mr. Yacov Truzman served as VP of the Company's Business Division starting on March 11, 2018 and was appointed as VP of the Company's Business and Sales Division in May 2019 and as the Company's Deputy CEO and VP Sales in June 2021, until September 20, 2022. Mr. Yacov Truzman's employment agreement was for an indefinite period that could be terminated at any time by Mr. Truzman or the Company, with three months' prior written notice during the first year of employment and six months from the second year of employment and thereafter. n addition to the notice period, Mr. Truzman is entitled to an adaptation period of two months. For his term of office, Mr. Truzman was entitled to the following main conditions: (a) a gross monthly salary of NIS 90,000 (linked to the Consumer Price Index published for the month of February 2018); (b) related conditions, including 23 days of annual vacation, 27 sick days, medical management survey, contributions to a pension plan and an advanced study fund, cellphone, phone line costs, Internet, Internet connection and two daily newspapers, reimbursement of per diem expenses in Israel and abroad in accordance with the Company's procedures as defined from time to time; c) a company vehicle, including the expenses for the use and maintenance of the vehicle, and the Company will bear the applicable tax for the use of the vehicle and gross up the imputation of the value in his salary; (d) directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the Company's officers and directors; (e) eligibility to receive an annual bonus for achieving quantitative and qualitative targets in accordance with the terms of the Company's compensation policy, as determined by the authorized bodies in the Company; (f) eligibility to receive equity compensation, in accordance with the terms of the Company's compensation policy, as determined by the authorized bodies in the Company. In addition, as part of the agreement, provisions were determined regarding confidentiality and non-competition (without additional payment) for a period of 6 months from the end of the employment period.

In 2018, 272,968 share options and 86,451 restricted shares were granted to Mr. Yakov Truzman with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 0.9 million and the fair value of the restricted shares was approx. NIS 1.4 million.

In 2021, 285,979 share options and 60,329 restricted shares were granted to Mr. Yakov Truzman with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 0.66 million and the fair value of the restricted shares was approx. NIS 0.99 million.

According to the Company's equity compensation plan under which the securities were allocated to Mr. Yakov Truzman, in the event of termination of employment within a period of six months from the date of a change of control event in the Company (as defined in the plan), the offeree is

entitled to full acceleration of all of the securities that have not yet vested at the time of termination of his employment, and for this matter, the transaction for the purchase of the shares by Amphissa (as stated in Regulation 21A below) on April 4, 2022 constitutes a change of control event for the purposes of the aforementioned plan. With the expected termination of Mr. Truzman's employment on April 20, 2023, the securities granted to him in 2021 will be fully vested.

Mr. Uri Gal served as the Company's VP Marketing from September 1, 2021 until October 2, 2022. Mr. Uri Gal's employment agreement was for an indefinite period that could be terminated at any time by Mr. Gal or the Company, with three months' prior written notice during the first year of employment and six months from the second year of employment and thereafter. For his term of office, Mr. Gal was entitled to the following main conditions: (a) a gross monthly salary of NIS 65,000 (linked to the Consumer Price Index published for the month of July 2021); (b) related conditions, including 23 days of annual vacation, 27 sick days, medical management survey, contributions to a pension plan and an advanced study fund, cellphone, phone line costs, Internet, Internet connection and two daily newspapers, reimbursement of per diem expenses in Israel and abroad in accordance with the Company's procedures as defined from time to time; c) a company vehicle, including the expenses for the use and maintenance of the vehicle, and the Company will bear the applicable tax for the use of the vehicle and gross up the imputation of the value in his salary; (d) directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the Company’s officers and directors; (e) eligibility to receive an annual bonus for achieving quantitative and qualitative targets in accordance with the terms of the Company's compensation policy, as determined by the authorized bodies in the Company; (f) eligibility to receive equity compensation, in accordance with the terms of the Company’s compensation policy, as determined by the authorized bodies in the Company. In addition, as part of the agreement, provisions were determined regarding confidentiality and non-competition (without additional payment) for a period of 6 months from the end of the employment period.

In 2021, 236,734 share options and 46,184 restricted shares were granted to Mr. Uri Gal with a vesting period of up to three years and subject to the fulfillment of performance targets. The theoretical fair value of the share options (according to the Black-Scholes model) was approx. NIS 1.053 million and the fair value of the restricted shares was approx. NIS 0.7 million.

According to the Company's equity compensation plan under which the securities were allocated to Mr. Uri Gal, in the event of termination of employment within a period of six months from the date of a change of control event in the Company (as defined in the plan), the offeree is entitled to full acceleration of all of the securities that have not yet vested at the time of termination of his employment, and for this matter, the transaction for the purchase of the shares by Amphissa

(as stated in Regulation 21A below) on April 4, 2022 constitutes a change of control event for the purposes of the aforementioned plan. With the termination of Mr. Gal's employment on April 2, 2023, the securities granted to him in 2021 will be fully vested.

In accordance with the Company's compensation policy, the Company approved an annual bonus plan for 2022 for the Company's officers, which consists of company-level indicators (which constitute 50%-70% of the bonus ceiling) that include the following targets – adjusted EBITDA, Free Cash Flow, cellular revenues, fiber-related targets and service-related targets, indicators at the division level (which constitute 15%-35% of the bonus ceiling) and a discretionary evaluation component (which constitutes 15% of the bonus ceiling), which refers to non-financial indicators and the long-term contribution of the officer and his/her performance. It should be noted that with respect to Mr. Avi Zvi, who served as Company CEO, the bonus program includes company-level indicators and a discretionary evaluation that constitute 90% and 10% of the bonus ceiling, respectively.

Remuneration of interested parties

The following is a breakdown of the remunerations given in the reporting year, as recognized in the financial statements for the reporting year, to each of the interested parties in the Corporation, who were remunerated in connection with their service in the Company or in a company under its control, as the case may be, in NIS thousands:

Remuneration recipient				Remuneration for services							Other remuneration			Total
Name	Position	Scope of employment	Rate of holding in the Company's capital	Salary	Bonus	Share-based payment	Management fees/ Regulatory [2]	Consultation fees	Commission	Other	Interest	Rental fees	Other	
Shlomo Rodav	Chairman of the Company's Board of Directors	50%	[1]	-	-	-	646	-	-	-	-	-	-	646
Osnat Ronen	Former Chairman of the Company's Board of Directors	40%	-	-	-	-	387	-	-	-	-	-	-	387

(1) Mr. Rodav is one of the general partners in the Company's controlling shareholder. For information, see Regulation 21A below.

Mr. Shlomo Rodav has served as a Director of the Company since April 7, 2022 and as Chairman of the Company's Board of Directors since July 28, 2022. On October 20, 2022, the General Meeting of the Company's shareholders approved remuneration for Mr. Rodav as Chairman of the Company's Board of Directors in a 50% position, which includes a fixed monthly payment of NIS 106,250 plus VAT (linked to the Consumer Price Index published for the month of June 2022). Prior to his appointment as Chairman of the Board of Directors, Mr. Rodav was entitled to the directors' remuneration paid in the Company. In addition, Mr. Rodav is entitled to reimbursement of reasonable expenses from the Company and to directors' and officers' liability insurance, indemnity and exemption as is customary in relation to officers and directors in the Company.

Ms. Osnat Ronen served as a Director of the Company from December 2009 and as Chairperson of the Company's Board of Directors from November 2019 until May 17, 2022. On March 18, 2020, the General Meeting of the Company's shareholders approved remuneration for Ms. Osnat Ronen as Chairperson of the Company's Board of Directors in a 40% position, which includes a fixed monthly payment of NIS 85,000 plus VAT. Prior to her appointment as Chairperson of the Board of Directors, Ms. Ronen was entitled to the directors' remuneration paid in the Company. In

addition, Ms. Ronen is entitled to directors' and officers' liability insurance, indemnity and exemption as is customary in relation to officers and directors in the Company.

Remuneration of directors

On March 18, 2020, based on the recommendation of the Company's Compensation Committee and Board of Directors, the General Meeting of the Company's shareholders approved remuneration for the directors who are serving and/or will serve on the Company's Board of Directors, as they will be from time to time (including external directors and independent directors, with the exception of the Chairman of the Company's Board of Directors, if for him/her remuneration terms will be established separately) as follows: (1) annual salary in the amount of NIS 180,000 (NIS one hundred and eighty thousand); (2) meeting participation fees in the amount of NIS 4,000 (NIS four thousand) per meeting, starting from the fifth meeting of the same year (100% of the aforementioned amount will be granted to the director for personal participation in the meeting, 60% of the aforementioned amount for participating in the media and 50% of the aforementioned amount for a decision in writing). The aforementioned remuneration will be linked to the Consumer Price Index published for the month of December 2007, and in any case will not be less than an aggregate amount per year equal to USD 50,000 (to be paid according to the representative exchange rate at the time of payment) as previously approved by the shareholders, i.e. according to the known index for the month of December 2022, the amounts are approx. NIS 230,000 and NIS 5080, respectively; the remuneration is in accordance with Section 8A of the Companies Regulations (Rules regarding Remuneration and Expenses to an External Director), 2000 and subject to approvals as required thereof. In addition, as mentioned, the General Meeting approved the reimbursement of reasonable expenses in connection with the fulfillment of the duties of the directors serving and/or who will serve on the Company's board of Directors, as they will be from time to time (including external directors and independent directors, with the exception of the Chairman of the Company's Board of Directors, if for him/her remuneration terms will be established separately), as determined by the Compensation Committee. The Compensation Committee has determined that reasonable expenses will include the following expenses: taxi fares (as needed, upon submission of receipts); in the case of international travel - travel expenses, including business class plane tickets; hotel expenses (up to a budget of USD 300 per night) and additional expenses (USD 80 per day, communication expenses and travel insurance). The Compensation Committee may update such expenses by an insignificant amount from time to time. In addition, the General Meeting confirmed that the relevant directors will benefit from the Company's existing officers' insurance policy and that the incumbent directors will continue to benefit from the letters of exemption and indemnity granted

to them. Directors appointed from time to time, including external directors and independent directors, will benefit from an indemnity and exemption letter that will be in effect from the date of appointment of the directors.

For the year 2022, the Company paid all the directors (with the exception of the Chairman of the Company's Board of Directors) remuneration in a total amount of approx. NIS 4,536,397.

As stated above, the directors serving in the Company, as they will be from time to time, are entitled to directors' and officers' liability insurance, indemnification and exemption as is customary in relation to the officers and directors in the company. For additional information, see Regulation 29A below.

Regulation 21A – Controlling Shareholders

- As of the date of publication of the report, the Company's controlling shareholder is Amphissa Holdings Limited Partnership (hereinafter - "**Amphissa**"), which holds approx. 26.77% of the Company's issued and paid-up share capital. Approval for the transfer of control and means of control in the Company and approval to be considered as the substitute of a founding shareholder in accordance with the Company's Cellular License, was given in relation to Amphissa by the Minister of Communications on March 29, 2022.[1]

- On April 4, 2022, a transaction was completed for the purchase of 49,862,800 Company shares, which at the time of completion of the transaction constituted approx. 27% of the Company's issued and paid-up capital. The shares were owned by S.B. Israel Telecom Ltd. and were held by a receiver and sold to Amphissa Holdings Limited Partnership.

- As of the date of this report, the general partners in Amphissa are Israel Lighterage & Supply Co. Ltd., which is 50% held by Mr. Shlomo Rodav, the Chairman of the Company's Board of Directors, and 50% held by Mr. Roni Gat and his family members and Zela Holdings Ltd., a company wholly owned by Mr. Avi Gabbay, the Company CEO. Its limited partners are mostly institutional entities from the Phoenix Group, Clal and Menorah and from M. Arkin (1999) Ltd. and Zela Investments Ltd. (a company controlled by the Company's CEO).

[1] In the past, an agreement was signed between those who were the Israeli founding shareholders of the Company (as defined in Regulation 28 below) with S.B. Israel Telecom Ltd., the former controlling shareholder in the Company, according to which they agreed to comply with all the conditions of the Company's Radio-TV license (hereinafter - the "**Relationship Agreement**" or the "**Agreement**"), including the obligation to hold 26% of the means of control in the Company in aggregate. The relationship agreement states, among other things, that in the event that one of the aforementioned shareholders violates a condition of the relationship agreement, in a way that has a substantial negative effect on the Company, he may be required to offer his shares for sale, first to the other Israeli founding shareholders who are a party to the relationship agreement, at a price 17.5% lower than the market value. According to the terms of the agreement, as long as the relationship agreement is not canceled by the parties to it, it will continue to exist until the Company ceases to exist (and in relation to each of the parties to it, to the extent that it ceases to meet the minimum maintenance requirements of an Israeli founding shareholder according to the terms of the license). As reported by Amphissa, it is not a party to this agreement.

Regulation 22 – Transactions with a Controlling Shareholder

The following is information, to the best of the Company's knowledge, regarding transactions with the controlling shareholder or that the controlling shareholder has a personal interest in their approval, in which the Company, companies under its control or related companies (hereinafter collectively - the "Company") engaged during the reporting year or at a date subsequent to the end of the reporting year and up to the date of submission the report or that are still in effect on the date of the report:

A. Transactions listed in Section 270(4) of the Companies Law, 1999 (the "Companies Law"):

- On July 28, 2022, the General Meeting of the Company's shareholders gave its approval for granting Mr. Shlomo Rodav and Mr. Doron Steiger remuneration conditions and letters of indemnity and exemption identical to those of the other members of the Company's Board of Directors. Mr. Shlomo Rodav is one of the controlling shareholders of Israel Lighterage & Supply Co. Ltd., the general partner in Amphissa, and Mr. Doron Steiger serves as the CEO of the Kerur Holdings Ltd., in which Israel Lighterage & Supply Co. is a controlling shareholder. For additional information, see Regulation 21 above and Regulation 29A below.
- On July 28, 2022, the General Meeting of the Company's shareholders approved remuneration conditions for Mr. Avi Gabbay, the Company's CEO, including conditions for a special bonus for 2022 and the granting of an indemnification and exemption letter (with the exception of an annual bonus from 2023 onwards and equity compensation). For additional information, see Regulation 21 above and Regulation 29A below.
- On October 20, 2022, the General Meeting of the Company's shareholders approved remuneration conditions for Mr. Shlomo Rodav, Chairman of the Company's Board of Directors. For additional information, see Regulation 21 above.

B. Transactions that are not listed in Section 270(4) of the Companies Law:

- On October 31, 2022, the Audit Committee confirmed that an engagement for the provision of Company services such as fixed-line/cellular communication services or TV services with an officer or a controlling shareholder (including a director who is a controlling shareholder in the Company), provided that these are services purchased for private/consumer use, according to conditions that are customary in the Company at that time for the sale of such services, including the accepted conditions that are customary in relation to the Company's employees, is considered a transaction that is not unusual or

even negligible with an officer or a controlling shareholder.

- On February 15, 2023, the Audit Committee approved the Company's engagement for 2023, in an amount estimated at approx. NIS 15,000 per year, with the recycling corporation T.M.I.R. (Manufacturers Recycling Corporation in Israel), which as of that date, approx. 8% of its shares were held by Jafora-Tabori Ltd. Mr. Shlomo Rodav, the Chairman of the Company's board of Directors, is one of the owners of a company that indirectly holds Jafora-Tabori Ltd. and he serves as its director. According to the Packaging Treatment Regulation Law, 2011, the Company is required to engage with a recognized entity, as defined in the law. As of the date of the report, the T.M.I.R. recycling corporation is the only entity recognized by the Ministry of Environmental Protection to carry out the provisions of the law. The Company's engagement with the T.M.I.R. recycling corporation began in 2012. In 2022, the total payment to the T.M.I.R. recycling corporation was approx. NIS 14,400.

For additional information, see Note 25 to the annual financial statements.

Regulation 24 – Holdings of Interested Parties and Senior Officers in the Corporation

For information regarding the holdings of interested parties and senior officers in the Company's securities close to the date of the report, to the best of the Company's knowledge, see the Company's immediate report dated February 19, 2023 (Ref: 2023-01-016042), which is included in this report by way of reference.

Regulation 24A – Registered Capital, Issued Capital and Convertible Securities

For information regarding the Company’s registered capital and the issued and paid-up capital, including regarding convertible securities, see the Company’s immediate reports dated February 16, 2023 and March 21, 2023 (Refs: 2023-01-015682 and 2023-01-025492, respectively), which are included in this report by way of reference.

Regulation 24B – Shareholders’ Register

For information regarding the register of the Company's shareholders, to the best of the Company's knowledge, see the Company's immediate report dated February 16, 2023 (Ref: 2023-01-015673), which is included in this report by way of reference.

Regulation 25A – Registered Address, Telephone, Fax and Email

The Corporation’s registered address: 8 Amal Street, Rosh Ha’ayin, POB 435, 4810302.

Phone number: 054-7814455

Fax: 054-7814455

Email: executiveoffices@partner.co.il

Regulation 26 – Directors of the Corporation[2]

Director's name	Shlomo Rodav, Chairman of the Board of Directors	Anat Cohen-Specht	Gideon Kadusi	Roly Klinger
ID number	030596860	023013048	057362584	056195787
Date of birth	October 27, 1949	May 14, 1967	January 14, 1962	January 5, 1960
Address for production of documents	5 Kerem HaZeitim, Savyon	11/14 Chaim Herzog, Rosh Ha'ayin	10 Derech Eilot, Ganei Tikva	8 Amal, Rosh Ha'ayin
Citizenship	Israel	Israel	Israel	Israel
Membership on Board of Directors' committees	Security Committee	Compensation Committee, Security Committee	Audit Committee, Financial Statement Review Committee	Audit Committee, Compensation Committee, Financial Statement Review Committee
External/independent director	No	Independent director	Independent director	External director
Beginning of term as Company director	April 7, 2022 (on July 28, 2022, appointed as Chairman of the Company's Board of Directors)	April 7, 2022	April 7, 2022	October 29, 2020
Has accounting or financial expertise or professional qualifications	Accounting and financial expertise	Accounting and financial expertise	No	No
Education	Bachelor's degree in Economics from Tel Aviv University. Master's degree in Business Administration from	Bachelor's degree in the Humanities and Art History and a Master's degree in Business Administration, both	Bachelor's degree in Electrical Engineering and Electronics and a Master's degree in Business Administration, both	Bachelor's degree in Law from Tel Aviv University, a Master's degree in Conflict Research and Resolution from the

[2]In the reporting period, the following directors also served in the Company: Ms. Osnat Ronen (Chairman of the Board of Directors), Mr. Richard Hunter, Mr. Yehuda Saban, Mr. Yossi Shahak and Mr. Ori Yaron, who no longer serve on the Company's Board of Directors as of the date of publication of this report.

	Columbia University.	from Tel Aviv University.	from Tel Aviv University.	Hebrew University and completed the advanced management program at Harvard.
Main occupation in the last 5 years	Served as Chairman of the Board of Directors of Bitan Wines Ltd., as Chairman of the Board of Directors at Mega in the City Retail Ltd., Mega Retail Ltd., Tapugan Industries Ltd., Hyper Rama (2003), Zim A.R. Direct Marketing Ltd., A. Amden Retail and Investments Ltd., Bezeq the Israel Telecommunication Corp. Ltd., Pelephone Communications Ltd., Bezeq International Ltd., DBS Satellite Services (1998) Ltd., Bezeq Online Ltd., Walla! Communications Ltd. Served as a director of the company for Environmental Services Company Ltd., Israel Lighterage & Supply Co. Ltd., Nymphaea A.A. Ltd., Torrel A.A. Ltd., Matzad Ateret Ltd., Metzad Electricity, Partnership, Jafora-Tabori Ltd., and Bifora	Serves as an external director on the Board of Directors of the Airports Authority and is a managing partner in Urbanipro, a global real estate investment company. In addition, serves as an external director of Rotex (1980) Ltd.	Owner of a consulting company for owners and CEOs of medium-sized private companies.	Served as an external director at Delek in the Audit and Compensation Committee and the Budget Committee. Served as a director at IBC Broadband (2012) Ltd. and as Manager of the refinancing project, VP Legal Consulting, Regulation and Company Secretary.

	Ltd.			
Other corporations in which he/she serves as director	Serves as the Chairman of the Board of Directors at the Israel Lighterage & Supply Co. Ltd., Kerur Holdings Ltd. and Tapugan Industries Ltd. and serves as a director at Torrel A. A., Nymphaea A. A. Ltd., Matzad Ateret Ltd., Jaf-Ora Ltd., Jafora-Tabori Ltd., Namdoo LLC, Namdoo LLC, NMDOO Ltd.	Serves as an external director on the Board of Directors of the Airports Authority and at Rotex (1980) Ltd.	No	Serves as a director at K. Klinger Management and Investments Ltd.
Employee of the Company / a subsidiary / related company thereof or of an interested party and in what position	No	No	No	No
Relative of an interested party in the Company	No	No	No	No
Does the Company consider him/her as having accounting and financial expertise in order to meet the minimum number set by the Board of Directors according to Section 92(a)(12) of the Companies Law	Yes	Yes	No	No

Director's name	Jonathan Kolodny	Michal Marom-Brikman	Doron Steiger	Shlomo Zohar
ID number	318135316	024675746	055009526	050884774
Date of birth	May 18, 1969	November 1, 1969	January 9, 1958	September 30, 1951
Address for production of documents	60 Akhi Dakar, Ra'anana	9 Usha, Tel Aviv	10 Berkovitch, Tel Aviv	8 Amal, Rosh Ha'ayin
Citizenship	Israel	Israel	Israel	Israel
Membership on Board of Directors' committees	Audit Committee, Compensation Committee, Financial Statement Review Committee, Security Committee	Audit Committee, Compensation Committee, Financial Statement Review Committee	No	Audit Committee, Compensation Committee, Financial Statement Review Committee, Security Committee
External/independent director	External director	External director	No	Independent director
Beginning of term as Company director	May 6, 2018	January 1, 2021	April 7, 2022	October 29, 2020
Has accounting or financial expertise or professional qualifications	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise	Accounting and financial expertise
Education	Has a Bachelor's degree in Computer Science with honors from Harvard and a Doctorate in Neuroscience and Cognition from the University of Cambridge.	Has a Bachelor's degree in Business Administration with a specialization in Economics and Accounting from the College of Management and a Master's degree in Finance from Baruch College, New York University.	Has a Bachelor's degree in Economics and a Master's degree in Business Administration, both from Tel Aviv University.	Has a Bachelor's degree in Economics and Accounting from Bar Ilan University and a master's degree from McGill University.
Main occupation in the last 5 years	Served as general partner at ION	Served as an external director at Halman	Serves as Chairman of Revivim Initiative -	Served as CEO and Vice Chairman of the

	crossover partners, serves as a director at BlueVine capital. Serves as a director at Resident home, Inc. Served as CEO of Keter Group. In addition, serves as a director at Cortica Ltd. and served at Soda Stream Israel Ltd.	Aldubi Provident and Pension Funds. Serves as a director at Paz Oil Company Ltd., Cipia Vision, Dan Public Transportation Company Ltd., Moinian Limited, OPC Energy, Ormat Technologies Inc. and REE Automotive Ltd.	Agricultural Cooperative Society, CEO of Kerur Holdings Ltd. and is provides consulting for companies. Serves as a director of a number of public and private companies including Novolog Ltd., Jafora-Tabori Ltd., Jafora Ltd., Ashdar Building Company Ltd. (end of term of office in August 2022), Airtouch Solar Ltd., Raval A.C.S. Ltd. and Tapugan Industries Ltd.	Board of Directors at A.D.O., served as a director at B Communications Ltd., in addition, served as Chairman of the Board of Directors at Bar Ilan University. Serves as a director at Tempo Beverages Ltd., Dan Public Transportation Company Ltd., Extra Retail Group Ltd., Sonol Israel Ltd., Delek Energy USA, Bait Vegag Real Estate Development, Isras Ltd., Noble Assets (BVI), ISPAC 1 Ltd., Ofer Capital Ltd., Axio Capital Envelope Ltd.
Other corporations in which he/she serves as director	Serves as a director at BlueVine capital, Resident home, Inc. and Cortica Ltd.	Serves as a director at Paz Oil Company Ltd., Cipia Vision, Dan Public Transportation Company Ltd., Moinian Limited, OPC Energy, Ormat Technologies Inc. and REE Automotive Ltd.	Serves as a director of a number of public and private companies including Jafora-Tabori Ltd., Jafora Ltd., Tapugan Industries Ltd., ISS Ltd., Airtouch Solar Ltd., Revivim Agricultural Cooperative Society and private companies under its ownership and in public companies.	Serves as a director at Tempo Beverages Ltd., Dan Public Transportation Company Ltd., Extra Retail Group Ltd., Sonol Israel Ltd., Delek Energy USA, Bait Vegag Real Estate Development, Isras Ltd., Noble Assets (BVI), ISPAC 1 Ltd., Ofer Capital Ltd., Axio Capital Envelope Ltd.
Employee of the Company / a	No	No	No	No

subsidiary / related company thereof or of an interested party and in what position				
Relative of an interested party in the Company	No	No	No	No
Does the Company consider him/her as having accounting and financial expertise in order to meet the minimum number set by the Board of Directors according to Section 92(a)(12) of the Companies Law	Yes	Yes	Yes	Yes

Regulation 26A – Senior Officers[3]

Name of officer	**Avi Gabbay, CEO**	**Dganit Kramer, Deputy CEO**	**Miri Takutiel, CFO**	**Yevgeny Dolkart, VP Human Resources and Operations**	**Yael Gaoni Shaked, VP Communications and Regulation**	**Yigal Giladi, VP Engineering**	**Atara Litvak Shacham, Innovation and Excellence Department Manager and Chief Risk Manager**
ID number	059777920	25231200	029602802	307149328	28711604	32215162	028813095
Date of birth	February 22, 1967	February 14, 1973	October 15, 1972	June 5, 1979	August 31, 1971	April 14, 1975	September 20, 1971
Beginning of term in the Company	June 1, 2022	January 1, 2023	January 1, 2023	September 1, 2021	August 8, 2021	December 1, 2021	July 10, 2022

[3] In the reporting period, the following officers also served in the Company: Mr. Tamir Amar, Mr. Yakov Truzman, Ms. Adi Koren, Mr. Ori Gal, Mr. Snir Niv, Mr. Yehuda Motro, who are no longer serving in the Company on the date of publication of this report.

Position held in the Company / a subsidiary / related company or in a company of an interested party of the Company	CEO and director at 012 Smile Telecom Ltd., 012 Telecom Ltd. and Partner Future Communications 2000 Ltd.	Deputy CEO	CFO and director at 012 Smile Telecom Ltd., 012 Telecom Ltd., Partner Future Communications 2000 Ltd., Partner Land-Line Communications Solutions - Limited Partnership and at Net 4 PHI Ltd.	VP Human Resources and Operations	VP Communications and Regulation	VP Engineering and Director at Net 4 PHI Ltd.	Innovation and Excellence Department Manager and Chief Risk Manager
Relative of a senior officer or of another interested party in the Company	No	No	No	No	No	No	No
Occupation in the last five years	Served as CEO of Cellcom Israel Ltd. and in several key positions in politics including: Chairman of the Labor Party, Minister of Environmental Protection and member of the Kulanu Party.	Served as Acting CEO as Deputy CEO and VP at Pelephone, Bezeq International, D.B.S. Satellite Services (1998).	Served as the Manager of the Corporate Planning and Control Department at Bezeq.	Served as Manager of the Salary, Benefits and Personnel Planning Department, and as Manager of the Operations and Procurement Department.	Served as VP Communications and Spokesperson at Reshet 13.	Served in positions in the Company's Technology Unit since 1998. In addition, he served as Manager of the Company's Technological Operations Department.	Served as VP of Marketing at Lumos Global in 2018 and as VP of Excellence and Innovation at Cellcom Israel Ltd. in 2020-2021.

Name of officer	**Assaf Aviv, VP Marketing and Content**	**Avi Dvora, VP Business Sales**	**Sarit Hecht, VP, Chief Legal Counsel and**	**Galit Shakalo-Offenberg, VP Customer Services**	**Roi Zohar, VP Information Systems**	**Maya Radoshinsky, VP Private Sales**	**Ofer Alkalay, Internal Auditor**

			Corporate Secretary				
ID number	31787625	025216904	27469055	32756199	33636556	034883108	024369340
Date of birth	August 12, 1974	May 17, 1973	June 12, 1974	February 25, 1978	March 6, 1977	May 22, 1978	April 12, 1969
Beginning of term in the Company	November 1, 2022	December 5, 2022	June 21, 2021	September 1, 2021	January 16, 2022	January 8, 2023	November 22, 2022
Position held in the Company / a subsidiary / related company or in a company of an interested party of the Company	VP Marketing and Content	VP Business Customers	VP Legal Division	VP Service and Director at Net 4 PHI Ltd.	VP Information Systems	VP Private Sales	Internal Auditor
Relative of a senior officer or of another interested party in the Company	No	No	No	No	No	No	No
Occupation in the last five years	Served as VP Innovation in Business Development at the Azrieli Group In addition, he served as VP Marketing at Bezeq International	Served as Fiber & SMB Department Manager	Served as VP and Legal Advisor at Keshet.	Served as Customer Service Department Manager at Cellcom Israel Ltd.	Served as Information Manager at Cellcom Israel. Served as Information Manager and supervised the company's operations in GI Private Holdings.	Served as Head of the Service, Operation and Claims Department at Clalit Mushlam.	Served as a partner in Alkalay & Co., as a partner in Alkalai-Monrov & Co. and as Internal Auditor in a variety of public and private companies.

Regulation 26B – Independent Signatories

As of the date of the report, the Company does not have independent signatories, as this term is

defined in Section 37(d) of the Securities Law.

Regulation 27 – The Company's Independent Auditor

Kesselman and Kesselman, Certified Public Accountants (PWC Israel), 146 Menachem Begin Rd., Tel Aviv-Yafo, 6492103.

Regulation 28 – Change in the Corporation's Memorandum or Articles of Association

On October 20, 2022, the Special General Meeting of the Company's shareholders approved changes in the Company's Articles of Association. In accordance with the original Radio-Cellphone license previously granted to the Company by the Minister of Communications, the Company's Articles of Association included provisions regarding the holdings of Israeli citizens and residents (hereinafter - "**Israeli Founding Shareholders**") as well as a requirement that the Israeli shareholders appoint at least 10% of the members of the Company's Board of Directors. To ensure compliance with the terms of the Radio-Cellphone license and the Company's Articles of Association, the shares of the Israeli Founding Shareholders were registered in the Company's Shareholder Register under the shareholder's name. Following amendments to the Communications Law (Bezeq and Broadcasting), 1982, minimum holdings by Israeli founding shareholders were no longer required for the Radio-Cellphone license. The legal status of the Company's shares is fixed in the Company's Articles of Association, and the amendment of the Articles is subject to the authority of the Special General Meeting of the shareholders. In view of the above and in view of the request of certain Israeli founding shareholders on the subject, the Special General Meeting approved the cancellation of the applicable provisions in the Company's Articles of Association regarding the rights and limitations of the Israeli founding shareholders so that the restrictions regarding the transfer of shares as mentioned above were canceled and the right to appoint at least 10% of the Company's Board of Directors was canceled in accordance with the aforementioned mechanism established in the Company's Articles of Association.

Regulation 29 - Directors' Recommendations and Decisions

Change in the Company's Memorandum or Articles of Association

On October 20, 2022, the General Meeting of the Company's shareholders approved changes in the Company's Articles of Association. For additional information, see Regulation 28 above.

Special General Meeting resolutions

On October 20, 2022, the General Meeting of the Company's shareholders approved the following decisions. For additional information, see the Meeting Summons Report (amended) published by the Company on October 9, 2022 (Ref: 2022-02-101487) which is included in this report by way

of reference.

- Approval of changes in the Company's Articles of Association. For additional information, see Regulation 28 above.
- Approval of the remuneration terms for Mr. Shlomo Rodav as Chairman of the Company's Board of Directors. For additional information, see Regulation 21 above.
- Approval of the compensation policy for Company officers, which will remain in effect for a period of three years from the date of approval at the General Meeting, i.e., until October 19, 2025.

On July 28, 2022, the General Meeting of the Company's shareholders approved the following decisions.

- Approval of the appointments of Mr. Shlomo Rodav, Mr. Gideon Kadusi, Ms. Anat Cohen-Specht, Mr. Doron Steiger, and Mr. Shlomo Zohar to the Company's Board of Directors.
- Approval of the remuneration terms for the directors Mr. Shlomo Rodav and Mr. Doron Steiger and the granting of letters of exemption and indemnity. For additional information, see Regulation 21 and 22 above.
- Approval of the terms of office and employment for the Company's CEO, Mr. Avi Gabbay, including conditions for a special bonus for 2022 and the granting of an indemnification and exemption letter (with the exception of an annual bonus from 2023 onwards and equity compensation). For additional information, see Regulation 21 and 22 above.

Regulation 29A – Company Decisions

Regulation 29A(4) – Exemption, Insurance or Indemnification Commitment, for an officer in effect as of the date of the report

א. Liability insurance for directors and officers

The compensation policy for the Company's officers states that the Company may from time to time engage in an insurance policy for the officers (including the CEO and directors and including those and/or their relatives who are controlling shareholders in the Company and/or who the controlling shareholders may have a personal interest in their inclusion in the insurance policy) of the Company and/or subsidiaries of the Company, which will apply to officers currently serving and/or as they will serve from time to time, subject to the provisions of the law and the Company's Articles of Association. The Company's engagement in the aforementioned insurance policy can only be approved by the Compensation Committee according to Regulation 1B1 of the Companies Regulations (Relief for Transactions with

Interested Parties), 2000, in accordance with the conditions stipulated in the compensation policy. In addition, the compensation policy enables the Company to enter into an extended disclosure period (run-off) type policy to cover past actions as well as a separate and dedicated insurance policy for liability insurance for prospectuses, according to the conditions detailed in the Company's compensation policy.

On August 12, 2021 and on August 17, 2021, the Audit Committee, in its meeting as the Company's Compensation Committee, and the Company's Board of Directors, respectively, approved a liability insurance policy for the Company's directors and officers, starting from August 1, 2021 and until July 31, 2022, which provides the Company's directors and officers with insurance coverage up to an aggregate liability limit of USD 50 million, plus reasonable legal expenses beyond the liability limit in accordance with the Insurance Contract Law, 1981. The premium for the aforementioned policy is in the amount of approx. USD 820 thousand, which is not material to the Company and is in accordance with what is accepted in the insurance market for policies of this type and scope as of the date the policy was drawn up. The terms of the aforementioned insurance policy meet the criteria established in the Company's compensation policy, as last approved on October 20, 2022. The terms of the aforementioned insurance policy are the same for all the Company’s officers and directors (including the CEO and directors serving on behalf of the controlling shareholder, as detailed below).

On February 3, 2022 and on February 6, 2022, the Company's Compensation Committee and Board of Directors, respectively, approved a liability insurance policy for the Company's directors and officers, starting from April 4, 2022 and until April 3, 2023, which provides the Company's directors and officers with insurance coverage up to an aggregate liability limit of USD 50 million, plus reasonable legal expenses beyond the liability limit in accordance with the Insurance Contract Law, 1981. The premium for the aforementioned policy is in the amount of approx. USD 770 thousand, which is not material to the Company and is in accordance with what is accepted in the insurance market for policies of this type and scope as of the date the policy was drawn up. The terms of the aforementioned insurance policy meet the criteria established in the Company's compensation policy, as last approved on October 20, 2022. The terms of the aforementioned insurance policy are the same for all the Company’s officers and directors (including the CEO and directors serving on behalf of the controlling shareholder, as detailed below).

In addition to the above, on February 3, 2022 and on February 6, 2022, the Company's Compensation Committee and Board of Directors, respectively, approved a run-off insurance

policy, in accordance with the terms of the approved general insurance policy. The premium for the aforementioned run-off insurance policy is in the amount of approx. USD 2.8 million, which is not material to the Company and is in accordance with what is accepted in the insurance market for policies of this type and scope as of the date the policy was drawn up. The terms of the aforementioned insurance policy meet the criteria established in the Company's compensation policy, as last approved on October 20, 2022. The terms of the aforementioned insurance policy are the same for all the Company's officers and directors (including the CEO and directors serving on behalf of the controlling shareholder, as detailed below).

On March 23, 2023 and on March 27, 2023, the Company's Compensation Committee and Board of Directors, respectively, approved a liability insurance policy for the Company's directors and officers, starting from April 4, 2023 and until April 3, 2024, which provides the Company's directors and officers with insurance coverage up to an aggregate liability limit of USD 50 million, plus reasonable legal expenses beyond the liability limit in accordance with the Insurance Contract Law, 1981. The premium for the aforementioned policy will be an amount of USD 555 thousand, which is not material to the Company and is in accordance with what is accepted in the insurance market for policies of this type and scope as of the date the policy was drawn up. The terms of the aforementioned insurance policy meet the criteria established in the Company's compensation policy, as last approved on October 20, 2022. The terms of the aforementioned insurance policy are the same for all the Company's officers and directors (including the CEO and directors serving on behalf of the controlling shareholder, as detailed below).

ב. <u>Commitment to indemnify and exempt directors and officers</u>

On March 18, 2020, the General Meeting of shareholders confirmed that the directors serving in the Company will continue to benefit from the letters of exemption and indemnity granted to them, among other things, as part of the Annual General Meeting of shareholders held on September 28, 2016, and also approved the granting of letters of exemption and indemnity to the directors who will serve in the Company from time to time.

In the letters of exemption and indemnity, the Company undertook to indemnify its directors and officers for any liability or expense and/or reasonable litigation expenses that will be imposed on them due to an action and/or omission committed by them (alone or with another officer) in their position as officers in the Company, as detailed in the wording of the letters of exemption and indemnity granted to them, in accordance with any law and subject to the

Company's Articles of Association, provided that the maximum amount of the indemnity in respect of monetary liabilities imposed according to a judgment (including a judgment given in a settlement or an arbitral award approved by the court) for any occurrence of one of the events detailed in the letter of indemnity, is as follows:

(1) In relation to the directors and officers who were granted letters of exemption and indemnity before the date of the Special General Meeting of the Company's shareholders on October 17, 2013 - it will not exceed, in aggregate, for all the officers and others entitled to indemnification by the Company, the higher of (i) 25% of the Company's equity; (ii) 25% of the Company's market value. These will be measured at the time of indemnification;

(2) In relation to the directors and officers who were granted letters of exemption and indemnity after the date of the Special General Meeting of the Company's shareholders on October 17, 2013 - it will not exceed 25% of the Company's consolidated equity according to the most recently reviewed or audited consolidated financial statements of the Company approved by the Company's Board of Directors prior to the date of approval of payment for the indemnity.

(3) In circumstances where the indemnity for the same incident is to be carried out simultaneously according to Sections (1) and (2) above - the maximum amount of indemnity will be determined according to Section (1) above.

In addition, the letters of exemption and indemnity also include exemption from liability in respect of the violation of the duty of care towards the Company, which applies to the officers and directors who serve and/or will serve in the Company, as they will be from time to time. Such an exemption will not apply to cases that are not permitted according to the law and the Company's Articles of Association and will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (even an officer other than the one for whom the exemption is granted) has a personal interest therein, and will apply to amounts for which the officers are not entitled to indemnity according to the Company's directors and officers liability insurance policy.

Avi Gabbay, CEO	Shlomo Rodav, Chairman of the Board of Directors

March 27, 2023

CORPORATE GOVERNANCE QUESTIONNAIRE[1]

THE BOARD OF DIRECTORS' INDEPENDENCE

			Yes	No
1.		During the entire reporting year, two or more external directors served in the corporation. This question can be answered "Yes" if the period during which two external directors did not serve did not exceed 90 days, as stated in Section 363a.(b)(10) of the Companies Law. However, either answer (Yes/No) must state the length of the period (in days) in which two or more external directors did not serve in the corporation in the reporting year (including a term of office that was approved retroactively, for each of the external directors separately): Director A: Dr. Jonathan Kolodny Director B: Ms. Roly Klinger Director C: Ms. Michal Marom-Brikman The number of external directors serving at the corporation as of the date of publication of this questionnaire: 3 .	Yes	

1 Published on March 16, 2014 as part of legislative proposals to improve the reports.

2.		Proportion[2] of independent directors[3] serving in the corporation as of the date of publication of this questionnaire: In accordance with Israeli law, as of the date of this questionnaire, there were 6/8 independent directors serving in the Company - Dr. Jonathan Kolodny (External Director), Ms. Roli Klinger (External Director), Ms. Michal Marom-Brikman (External Director) , Mr. Shlomo Zohar (Independent Director), Mr. Gideon Kadusi. (Independent Director) and Ms. Anat Cohen-Specht (Independent Director). As of the date of this questionnaire, there were 6/8 directors serving in the Company who meet the definition of Independent Directors according to the NASDAQ rules (Dr. Jonathan Kolodny, Ms. Roli Klinger, Ms. Michal Marom-Brikman, Mr. Shlomo Zohar, Mr. Gideon Kadusi and Ms. Anat Cohen-Specht. Proportion of independent directors determined in the corporation's[4] Articles of Association[5]: According to the law. ☐ Not relevant (no provision was established in the Articles of Association).	_____	_____
3.		In the reporting year, an examination was conducted with the external directors (and independent directors), which found that in the reporting year they complied with the provisions of Section 240(b) and (f) of the Companies Law regarding the lack of an interest in the corporation of the external (and independent) directors serving in the Company and that they met the conditions required for service as external (or independent) directors.	Yes	
4.		None of the directors who served in the corporation during the reporting year are subordinate to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if there is employee representation in the corporation). If your answer is "No" (that is, the director is subordinate to the CEO as stated) - please indicate the percentage of directors who did not meet the aforementioned limitation: _____.	Yes	
5.		All the directors who announced the existence of their personal interest in the approval of a transaction on the agenda of a meeting, were not present at the discussion and did not participate in the aforementioned vote (with the exception of a discussion and/or a vote in circumstances according to Section 278(b) of the Companies Law): If your answer is "No" -	Yes	

2 In this questionnaire, "**proportion**" is a certain number out of the total. For example: 3/8.
3 Including "External Directors" within the meaning thereof in the Companies Law.
4 Regarding this question - "Articles of Association" including according to a specific legal provision applicable to the corporation (for example, in case of a banking corporation - directives issued by the Banking Supervision Department).
5 Bonds companies are not required to answer this section.

		Was it in order for him/her to present a certain topic in accordance with the provisions of Section 278(a): ☐ Yes ☐ No (Please mark x in the appropriate box). Please state the proportion of meetings in which such directors were present at the discussion and/or participated in the vote, except in the circumstances stated in Subsection A: _____.		
6.		The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the corporation was not present at the meetings of the Board of Directors held during the reporting year. If your answer is "No" (i.e. the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the corporation was present at the Board of Directors' meetings as aforesaid) – please note the following details regarding the presence of any additional person at the aforementioned Board meetings: Identity: _____. Position in the corporation (if any): _____. Details of the relationship to the controlling shareholder (if the person present is not the controlling shareholder himself/herself): _____. Was it for him/her to present a certain topic: ☐ Yes ☐ No (Please mark x in the appropriate box). Proportion of Board meetings in which he/she participated during the reporting year for the purpose of presenting a specific topic: ____, other presence: ____ [6] ☐Not relevant (the corporation does not have a controlling shareholder).	Yes	

6 While differentiating between a controlling party, his relative and/or anyone on his behalf

THE DIRECTORS' COMPETENCY AND QUALIFICATIONS

				Yes	No
7.		The Corporation's Articles of Association do not include a provision that limits the possibility of immediately terminating the term of office of all directors in the corporation who are not External Directors (for this purpose, a simple majority does not constitute a limitation)[7]. If your answer is "No" - (i.e. such a limitation does exist), please state –		Yes	
		A.	The period stipulated in the Articles of Association for a director's term of office: _____.		
		B.	The majority required in the Articles of Association to terminate the term of office of directors: _____.		
		C.	The legal quorum determined in the Articles of Association at the General Meeting to terminate the term of office of directors: _____.		
		D.	The majority required to change these provisions in the Articles of Association: _____.		
8.		The corporation has established a training program for new directors, regarding the corporation's business and regarding the law applicable to the corporation and the directors, and has also established a follow-up program for the training of incumbent directors, adapted, among other things, to the role of the director in the corporation. If your answer is "Yes" - please indicate whether the plan was active in the reporting year: X Yes ☐No (Please mark x in the appropriate box)		Yes	

7 Bonds companies are not required to answer this section.

9.		A.	The corporation has required a minimum number of directors on the Board of Directors who have accounting and financial expertise. If your answer is “Yes" - please indicate the minimum number required: 3.	Yes	
		B.	The number of directors who served in the corporation during the reporting year - With accounting and financial expertise[8]: _____. With professional qualifications[9]: _____. If there were changes in the number of directors as mentioned in the reporting year, please state the lowest number (except in a period of 60 days from the change) of directors of each type who served in the reporting year.	With accounting and financial expertise - 6 With professional qualifications - 8	
10.		A.	In each reporting year, the composition of the Board of Directors included members of both sexes. If your answer is “No" - please indicate the period of time (in days) in which the aforementioned did not take place: _____. This question can be answered “Yes" if the period during which directors of both sexes did not serve does not exceed 60 days. However, either answer (Yes/No) must state the length of the period (in days) in which directors of both sexes did not serve in the corporation: _____.	Yes	
		B.	The number of directors of each sex serving on the corporation’s Board of Directors as of the date of publication of this questionnaire: 5 men and 3 women.	_____	_____

8 After the Board of Directors’ assessment in accordance with the provisions of the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.

9 See Footnote 8.

BOARD OF DIRECTORS MEETINGS (AND CONVENING OF THE GENERAL MEETING)

				Yes	No
11.		A.	Number of Board meetings held during each quarter in the reporting year: First quarter (2022): 9 Second quarter: 7 Third quarter: 5 Fourth quarter: 7	_____	_____
		B.	Next to each of the names of the directors who served in the corporation during the reporting year, please indicate the proportion[10] of his/her participation in the board meetings (in this subsection - including the meetings of the board committees in which he/she is a member, as indicated below) that took place during the reporting year (with reference to his/her term of office): (Add lines according to the number of directors).	_____	_____

Director's name	Proportion of his/her participation in **Board** meetings	Proportion of his/her participation in **Audit Committee** meetings[11]	Proportion of his/her participation in **Financial Statements Review Committee** meetings[12]	Proportion of his/her participation in **Remuneration Committee** meetingsa[13]	Proportion of his/her participation in **additional Board committees in which he/she is a member** (please state the name of the committee)

See the participation proportion table below

12.		In the reporting year, the Board of Directors held at least one discussion regarding the management of the corporation's business by the CEO and the officers subordinate to him, without their presence and they were given the opportunity to express their position.	Yes	

10 See Footnote 2.
11 For a director who is a member of that committee.
12 For a director who is a member of that committee.

13 For a director who is a member of that committee.

SEPARATION BETWEEN POSITIONS OF CEO AND CHAIRMAN OF THE BOARD OF DIRECTORS

			Yes	No
13.		During the entire reporting year, the corporation had a Chairman of the Board of Directors. This question can be answered "Yes" if the period in which the Chairman of the Board of Directors did not serve in the corporation does not exceed 60 days as stated in Section 363a.(2) of the Companies Law. However, either answer (Yes/No) the period of time (in days) will be indicated in which the Chairman of the Board of Directors did not serve in the corporation as stated: _____.	Yes	
14.		During the entire reporting year, the corporation had a CEO. This question can be answered "Yes" if the period in which the CEO did not serve in the corporation does not exceed 90 days as stated in Section 363a.(6) of the Companies Law. However, either answer (Yes/No) the period of time (in days) will be indicated in which the CEO did not serve in the corporation as stated: _____.	Yes	
15.		In a corporation in which the Chairman of the Board of Directors also serves as the corporation's CEO and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law[14]. V Not relevant (as long as the corporation does not have a dual position as stated).		
16.		The CEO <u>is not</u> a relative of the Chairman of the Board of Directors. If your answer is "No" (i.e. the CEO is a relative of the Chairman of the Board of Directors) –	Yes	
	A.	Please indicate the nature of the family relationship between the parties: _____.	_____	_____
	B.	The position was approved in accordance with Section 121(c) of the Companies Law[15]: ☐ Yes ☐ No *(Please mark x in the appropriate box).*	_____	_____
17.		A controlling shareholder or his/her relative <u>does not</u> serve as the CEO or as a senior officer in the corporation, except as a director. ☐ Not relevant (the corporation does not have a controlling shareholder).		No

14 In a bonds company – approval in accordance with Section 121(d) of the Companies Law.
15 In a bonds company – approval in accordance with Section 121(d) of the Companies Law.

AUDIT COMMITTEE

				Yes	No
18.			In the reporting year, the following did not serve as a member of the Audit Committee -	____	____
		A.	A controlling shareholder or his/her relative. ☐ Not relevant (the corporation does not have a controlling shareholder).	Yes	
		B.	The Chairman of the Board of Directors.	Yes	
		C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under hid/her control.	Yes	
		D.	A director who provides services to the corporation or to the controlling shareholder of the corporation or a corporation under his/her control, on a regular basis.	Yes	
		E.	A director whose main source of income is the controlling shareholder. ☐ Not relevant (the corporation does not have a controlling shareholder).	Yes	
19.			A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) of the Companies Law.	Yes	
20.			A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee that took place during the reporting year was a majority of the Committee members, with most of the participants being independent directors and at least one was an external director.	Yes	

		If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: _____.		
21.	During the reporting year, the Audit Committee held at least one meeting at which the Internal Auditor and the Independent Auditor were present, but at which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management.		Yes	
22.	In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the Chairman of the Committee and/or he/she was invited by the Committee (for the Chief Legal Adviser and the Corporation Secretary, who is not a controlling shareholder or his/her relative).		Yes	
23.	During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints submitted by employees of the corporation in relation to deficiencies in the managing of the corporation's business and the protection provided to employees submitting complaints as aforesaid.			No[16]
24.	The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the Independent Auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the appropriate audit and review work.		Yes	
24A	The Audit Committee examined the work plan of the Internal Auditor before it was submitted for the Board of Directors' approval, and recommended changes, as necessary. The role of the Audit Committee in accordance with Section 117(3) to the Companies Law]		Yes	

16 The Company has mechanisms for handling employee complaints regarding deficiencies in its business management, including reports required for the Audit Committee. A regulated procedure will be submitted for approval by the Audit Committee in 2023

24B	The Audit committee examined the Company's internal audit system and the functioning of the Internal auditor and concluded that he has the resources and tools necessary to fulfill his duties, taking into account, among other things, the Company's special needs and its size. The role of the Audit Committee in accordance with Section 117(4) to the Companies Law]	Yes	
24C	The Audit committee forwarded its recommendations to the Board of Directors on issues requiring its approval a reasonable time before the Board meeting. Section 111(b) of the Companies Law]	Yes	
25D	The Company prepared protocols from the Audit Committee meetings, which include documentation of those present and participating therein and the decisions made. The protocols were signed by the Chairman of the Committee and are kept in the Company's offices. Sections 108 and 111(d) of the Companies Law]	Yes	

DUTIES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREINAFTER - THE COMMITTEE) IN ITS PRELIMINARY WORK FOR THE APPROVAL OF THE FINANCIAL STATEMENTS

			Yes	No
25.	A.	Please indicate the period of time (in days) determined by the Board of Directors as a reasonable time for the submission of the Committee's recommendations prior to the discussion in the Board of Directors for the approval of the financial statements: 3 days prior to the date of the meeting	_____	_____
	B.	The number of days that actually passed between the date the recommendations were forwarded to the Board of Directors and the date of the discussion in the Board of Directors for the approval of the financial statements: First quarter report (2022): 5 days Second quarter report: 6 days Third quarter report: 5 days Annual report: 1 day[17]	_____	_____
	C.	The number of days that passed between the date the draft financial statements were forwarded to the Board of Directors and the date of the discussion in the Board of Directors for the approval of the financial statements: First quarter report (2022): 3 days Second quarter report: 3 days Third quarter report: 4 days Annual report: 3 days		

[17] It should be noted that the final recommendation of the committee was given on the day of the approval of the annual report by the Board of Directors

26.	The Corporation's Independent Auditor participated in all the meetings of the Committee and the Board of Directors in which the Corporation's financial statements were discussed relating to the periods included in the reporting year. If your answer is "No", please indicate the proportion of participation: _____		Yes	
27.	In the Committee, all the following conditions were met throughout the reporting year and until the publication of the annual report:		_____	_____
	A.	The number of its members was not less than three (on the date of the Committee discussion and approval of the aforementioned reports).	Yes	
	B.	All the conditions stated in Sections 115(b) and (c) of the Companies Law were met (regarding the term of office of Audit Committee members).	Yes	
	C.	The Committee Chairman is an external director.	Yes	
	D.	All of its members are directors and most of its members are independent directors.	Yes	
	E.	All of its members are able to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	Yes	
	F.	The Committee members provided a statement prior to their appointments.	Yes	
	G.	The legal quorum for discussion and decision-making in the Committee was the majority of its members, provided that the majority of those present were independent directors, including at least one external director.	Yes	
	If your answer here is "No" regarding one or more of the subsections of this question, please indicate in relation to which report (periodic/quarterly) the condition was not met and note the condition that was not met: _____.		_____	_____

REMUNERATION COMMITTEE

				Yes	No
28.		In the reporting year, the Committee had at least three members and the external directors constituted a majority (on the date of the Committee discussion). ☐ Not relevant (no discussion was held).		Yes	
29.		The terms of office and employment of all members of the Remuneration Committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expenses to an External Director), 2000.		Yes	
30.		In the reporting year, the following did not serve as a member of the Audit Committee -		_____	_____
		A.	A controlling shareholder or his/her relative. ☐ Not relevant (the corporation does not have a controlling shareholder).	Yes	
		B.	The Chairman of the Board of Directors.	Yes	
		C.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under hid/her control.	Yes	
		D.	A director who provides services to the corporation or to the controlling shareholder of the corporation or a corporation under his/her control, on a regular basis.	Yes	
		E.	A director whose main source of income is the controlling shareholder. ☐ Not relevant (the corporation does not have a controlling shareholder).	Yes	

31.		A controlling shareholder or his/her relative was not present in the reporting year at the meetings of the Remuneration Committee, except if the Chairman of the Committee determined that one of them was required to present a certain topic.	Yes	
32.		The Remuneration Committee and the Board of Directors did not use their authority according to Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite the objection of the General Meeting. If your answer is “No”, please indicate – The type of transaction approved as mentioned above: _____ The number of times their authority was used in the reporting year: _____	Yes	

INTERNAL AUDITOR

		Yes	No
33.	The Corporation's Chairman of the Board of Directors or CEO is the organizational supervisor of the Corporation's Internal auditor.	Yes	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the reporting year. In addition, please list the audit topics dealt with by the Internal Auditor in the reporting year: _____ (Please mark x in the appropriate box). As presented by the Company's Auditor in the annual work plan.	Yes	
35.	The Internal Auditor's scope of employment in the Corporation in the reporting year (in hours) 100% position, 3 additional employees are employed in the Internal Auditor Unit.	_____	_____
	In the reporting year, there was a discussion (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	Yes	
36.	The Internal Auditor is not an interested party in the Corporation, his relative, the independent auditor or anyone on his behalf, and does not maintain substantial business relationships with the Corporation, its controlling shareholder, his relative or corporations under their control.	Yes	

TRANSACTIONS WITH INTERESTED PARTIES

		Yes	No
37.	The controlling shareholder or his relative (including a company under his control) is not employed by the Corporation nor does he provide it with management services. If your answer is “No" (that is, the controlling shareholder or his relative is employed by the Corporation or provides it with management services), please note – - The number of relatives (including the controlling shareholder) employed by the Corporation (including companies under their control and/or through management companies): __1___. - Have the aforementioned employment agreements and/or management services been approved by the legally established bodies: ☐ x Yes ☐ No (Please mark x in the appropriate box). ☐ Not relevant (the corporation does not have a controlling shareholder). _____.		No
38.	To the best of the Corporation's knowledge, the controlling shareholder has no other businesses in the Corporation's area of activity (in one or more areas). If your answer is “No" – please indicate whether an arrangement has been established to demarcate activities between the Corporation and its controlling shareholder: ☐ ☐ No (Please mark x in the appropriate box). ☐ Not relevant (the corporation does not have a controlling shareholder).	Yes	

Chairman of the Board of Directors: _____

Chairman of the Audit Committee: _____

Chairman of the Financial Statements Review Committee: _____

Directors' Participation Proportions

Director's name	Shlomo Rodav	Jonathan Kolodny	Shlomo Zohar	Roly Klinger	Michal Marom-Brikman	Doron Steiger	Gideon Kadusi	Anat Cohen-Specht
Proportion of his/her participation in Board meetings	18/18	28/28	26/28	28/28	28/28	18/18	18/18	18/18
Proportion of his/her participation in Audit Committee meetings		12/12	12/12	12/12	11/12		7/7	
Proportion of his/her participation in Remuneration Committee meetings		12/12	12/12	12/12	12/12			5/5
Proportion of his/her participation in Balance Sheet Committee meetings		1/1	1/1	1/1	1/1		1/1	

Comments:

The data refers to the directors' attendance at meetings, from the date of appointment, in 2022.

Chapter E

Annual report on the Effectiveness of Internal Control over Financial Reporting and over the Disclosure according to Regulation 9B(a)

Annual report on the Effectiveness of Internal Control over Financial Reporting
And over the Disclosure according to Regulation 9B(a)

The management, under the supervision of the Board of Directors of Partner Communications Ltd. (hereinafter - the "**Corporation**"), is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the corporation.

For this matter, the members of management are:

1. Avi Gabbay, CEO;
2. Dganit Kramer, Deputy CEO;
3. Miri Takutiel, CFO;
4. Assaf Aviv, VP Marketing and Content;
5. Yael Gaoni Shaked, VP Communications and Regulation;
6. Yigal Giladi, VP Engineering;
7. Avi Dvora, VP Business Sales;
8. Yevgeny Dolkart, VP Human Resources and Operations;
9. Sarit Hecht, VP, Chief Legal Counsel and Corporate Secretary;
10. Roi Zohar, VP Information Systems;
11. Galit Shakalo-Offenberg, VP Customer Service;
12. Maya Radoshinsky, VP Private Sales;
13. Ofer Alkalay, Internal Auditor.

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which were designed by the CEO and the most senior finance officer or under their supervision, or by the person who actually performs the aforementioned duties, under the supervision of the Corporation's Board of Directors, which are designed to provide a reasonable degree of assurance with regard to the reliability of the financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that information that the Corporation is required to disclose in the reports it publishes according to the provisions of the law is collected, processed, summarized and reported at the time and in the format stipulated by law.

The internal control includes, among other things, controls and procedures designed to ensure that information that the Corporation is required to disclose, as stated above, is accumulated and forwarded to the Corporation's management, including the CEO and the most senior finance officer or to those who actually perform those duties in order to enable decisions to be made at the appropriate time, with reference to the disclosure requirement.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in reports will be prevented or discovered.

The management, under the supervision of the Board of Directors, performed an examination and assessment of the internal control over financial reporting and disclosure in the Corporation and its effectiveness;

The assessment of the effectiveness of the internal control over the financial reporting and disclosure carried out by the management under the supervision of the Board of Directors included the following:

Mapping and identifying the accounts and business processes that the Company considers to be very significant for the financial reporting and disclosure; examining key controls and testing the effectiveness of the controls; The internal control components included controls over the processes of preparing and closing the financial reports, controls at the organization level, general controls over the information systems and controls over business processes that have a very substantial effect on the financial statements, such as revenues, expenses, wages, fixed and other assets and goodwill.

Based on the assessment of the effectiveness that was carried out by the management under the supervision of the Board of Directors, as detailed above, the Board of Directors and the Company's management concluded that the internal control over the financial reporting and disclosure in the Company as of December 31, 2022 is effective.

Executive Statements

Statement of the CEO according to Regulation 9B(d)(1)

I, Avi Gabbay, declare that:

(1) I have examined the periodic report of Partner Communications Ltd. (hereinafter - the "**Corporation**") for the year 2022 (hereinafter - the "**Reports**");

(2) To the best of my knowledge, the reports do not include any misrepresentation of a material fact and they do not lack the presentation of a material fact necessary so that the representations included therein, in view of the circumstances in which those representations were included, are not misleading with reference to the period of the reports;

(3) To the best of my knowledge, the financial statements and other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the reports refer;

(4) I have disclosed to the Corporation's Auditor, to the Board of Directors and to the Audit and Balance Sheet Committees of the Corporation's Board of Directors based on my most recent assessment regarding the internal control over the financial reporting and the disclosure:

(a) All significant deficiencies and substantial weaknesses in the establishment or operation of the internal control over financial reporting and disclosure that could reasonably have a negative impact on the Corporation's ability to collect, process, summarize or report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law; and –

(b) Any fraud, whether material or not, involving the CEO or those directly subordinate to him or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(a) I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and in the consolidated companies, in particular during the period of preparation of the reports; and –

(b) I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles;

(c) I have evaluated the effectiveness of the internal control over the financial reporting and the disclosure, and have presented in this report the conclusions of the Board of Directors and the management regarding the effectiveness of the aforementioned internal control as of the date of the reports.

The above does not detract from my responsibility or the responsibility of any other person, according to any law.

_____

March 27, 2023 Avi Gabbay, CEO

Statement of the Most Senior Finance Officer in accordance with Regulation 9B(d)(2)

I, Miri Takutiel, declare that:

(1) I have examined the financial statements and the other financial information included in the reports of Partner Communications Ltd. (hereinafter - the "**Corporation**") for the year 2022 (hereinafter - the "**Statements**");

(2) To the best of my knowledge, the financial statements and the other financial information included in the reports do not include any misrepresentation of a material fact and they do not lack the presentation of a material fact necessary so that the representations included therein, in view of the circumstances in which those representations were included, are not misleading with reference to the period of the reports;

(3) To the best of my knowledge, the financial statements and other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation as of the dates and for the periods to which the reports refer;

(4) I have disclosed to the Corporation's Auditor, to the Board of Directors and to the Audit and Balance Sheet Committees of the Corporation's Board of Directors based on my most recent assessment regarding the internal control over the financial reporting and the disclosure:

(a) All significant deficiencies and substantial weaknesses in the establishment or operation of the internal control over financial reporting and disclosure, insofar as they relate to the financial statements and the other financial information included in the reports, that could reasonably have a negative impact on the Corporation's ability to collect, process, summarize or report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law; and –

(b) Any fraud, whether material or not, involving the CEO or those directly subordinate to him or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(a) I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it is relevant to the financial statements and the other financial information included in the reports, is brought to my attention by others in the Corporation and in the consolidated companies, in particular during the period of preparation of the reports; and –

(b) I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles;

(c) I have evaluated the effectiveness of the internal control over the financial reporting and the disclosure, insofar as it relates to the financial statements and to the other financial information included in the reports as of the date of the reports;

my conclusions regarding my assessment as mentioned were brought before the Board of Directors and the management and are included in this report.

The above does not detract from my responsibility or the responsibility of any other person, according to any law.

March 27, 2023

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Miri Takutiel, CFO